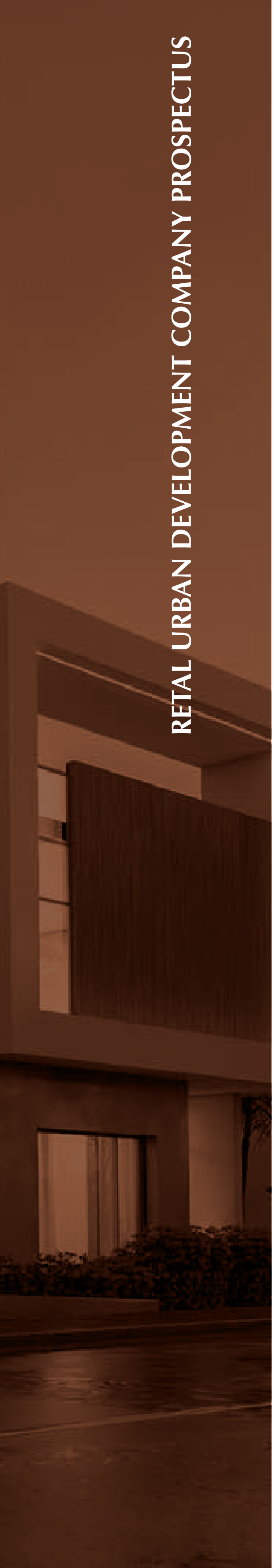


RETAL URBAN DEVELOPMENT COMPANY PROSPECTUS

A Saudi joint stock company established under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) pursuant to ministerial resolution no. 4247, dated 14/08/1441H (corresponding to 07/04/2020G).

Offering of twelve million (12,000,000) Shares representing 30% of the Company's share capital through a public offering at an Offer Price of SAR [•] per Share.

Offering Period: two days starting from Sunday 06/11/1443H (corresponding to 05/06/2022G) and ending on Monday 07/11/1443H (corresponding to 06/06/2022G)

Retal Urban Development Company (hereinafter referred to as the "**Company**") is a Saudi joint stock company established under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) pursuant to ministerial resolution no. 4247, dated 14/08/1441H (corresponding to 07/04/2020G). The current share capital of the Company is four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a fully paid-up nominal value of SAR 10 per share (the "**Shares**", and each a "**Share**").

The Company commenced its activity as a branch of the Building Construction Company Limited, which is a limited liability company under commercial registration no. 2051023581 dated 15/06/1420H (corresponding to 25/09/1999G). On 12/03/1433H (corresponding to 04/02/2012G), Building Construction Company Limited opened a branch in the name of Retal Urban Development under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) issued in the city of Al-Khobar to carry out its activities under said branch. On 26/05/1433H (corresponding to 18/04/2012G), the branch and all rights and obligations thereunder was converted to a limited liability company in the name of Retal Urban Development Company under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) with a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five thousand (5,000) cash shares with a nominal value of one hundred Saudi Riyals (SAR 100) per share, whereby the shareholders in the Company were: (1) Al Fozan Holding Company, with a shareholding of ninety-eight percent (98%) and (2) Building Construction Company Limited, with shareholding of two percent (2%). On 21/04/1434H (corresponding to 03/03/2013G), the shareholders approved a decision to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to ten million Saudi Riyals (SAR 10,000,000), divided into one hundred thousand (100,000) cash share of equal nominal value of one hundred Saudi Riyals (SAR 100) per share, through the capitalization of nine million five hundred thousand Saudi Riyals (SAR 9,500,000) taken from the shareholders' current account. On 21/06/1434H (corresponding to 01/05/2013G), Building Construction Company Limited waived the totality of its shares in the Company to Al Fozan Investment Company Limited, whereby the shareholders in the Company became: (1) with a shareholding of ninety-eight percent (98%) and (2) Al Fozan Investment Company Limited, with a shareholding of two percent (2%). On 23/02/1438H (corresponding to 23/11/2016G), the Company was converted from a limited liability company to a single shareholder limited liability company, whereby Al Fozan Investment Company Limited waived the totality of its shares in the Company to Al Fozan Holding Company, whereby the Company became wholly owned by Al Fozan Holding Company. On 16/05/1438H (corresponding to 13/02/2017G), the Company was converted from a single shareholder limited liability company to a limited liability company, whereby Al Fozan Holding Company relinquished one percent (1%) of its shares in the Company to Al Fozan Investment Company Limited, whereby the shareholders in the Company became: (1) Al Fozan Holding Company, with a shareholding of ninety-nine percent (99%), and (2) Al Fozan Investment Company Limited, with a shareholding of one percent (1%). On 21/04/1441H (corresponding to 18/12/2019G), the Company increased its capital from ten million Saudi Riyals (SAR 10,000,000) to two hundred and fifty million Saudi Riyals (SAR 250,000,000) divided into two hundred and fifty thousand (250,000) cash share of equal value, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, by capitalizing one hundred and fifty-seven million eight hundred sixty-six thousand one hundred and eight-nine Saudi Riyals (SAR 157,866,189) from the current account of the shareholders and eighty-two million one hundred thirty three thousand eight hundred and eleven Saudi Riyals (SAR 82,133,811) as a cash contribution from Shareholders. The conversion of the Company from a limited liability company to a closed joint stock company was approved under a shareholder decision dated 14/08/1441H (corresponding to 07/04/2020G). In addition, Al Fozan Investment Company Ltd. waived its entire shareholding of two thousand five hundred (2,500) ordinary shares in favor of Abdullah Faisal Al-Braikan, who became a new shareholder in the Company, and the Company's capital was divided into twenty-five million (25,000,000) ordinary nominal shares of equal value of ten Saudi Riyals (SAR 10), which were distributed to shareholders, whereby ninety-five percent (95%) were allocated to Al Fozan Holding Company and five percent (5%) to Abdullah Faisal Al-Braikan. On 09/05/1442H (corresponding to 24/12/2020G) the Company's General Assembly increased the capital from two hundred and fifty million Saudi Riyals (SAR 250,000,000) to three hundred and seventy-five million Saudi Riyals (SAR 375,000,000), divided into thirty-seven million and five hundred thousand (37,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) each, comprised of twenty five million (25,000,000) cash shares and twelve million five hundred thousand (12,500,000) in-kind shares. Said in-kind shares were issued in exchange for the Company's acquisition of a 39.5% stake in the Saudi Tharwa Company, at a value of one hundred and seven million and four hundred and forty thousand Saudi Riyals (SAR 107,440,000), in addition to land valued at seventeen million five hundred and sixty thousand Saudi Riyals (SAR 17,560,000). Ownership of in-kind shares in Saudi Tharwa Company and the lands were transferred from Al-Fozan Holding Company to the Company, and the new shares issued by the Company were distributed among shareholders in proportion to the percentage of their contribution in accordance with an agreement between the shareholders and in accordance with the resolution of the Extraordinary General Assembly dated 09/05/1442H (corresponding to 24/12/2020G). On 19/10/1442H (corresponding to 31/05/2021G), the Company's General Assembly increased the capital from three hundred and seventy-five million Saudi Riyals (SAR 375,000,000) to four hundred million Saudi Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, by issuing five hundred thousand (500,000) fully paid new ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through the capitalization of twenty million Saudi Riyals (SAR 20,000,000) from the Company's retained earnings account, in addition to five million Saudi Riyals (SAR 5,000,000) deposited in cash in the Company's bank account; with (i) Al Saham Holding Company, (ii) Athman Holding Company, (iii) Gheras Holding Company and (iv) Maali Al Khaleej Trading Company entering the Company as new Shareholders.

The initial public offering (the "**Offering**") consists of the sale of twelve million (12,000,000) ordinary shares (collectively, the "**Offer Shares**", and each an "**Offer Share**"), which represent thirty percent (30%) of the share capital of the Company, at an offer price of [•] Saudi Riyals (SAR [•]) (the "**Offer Price**"). The Offering shall be restricted to the following groups of investors (hereinafter referred to as the "**Investors**"):

Tranche (A): Participating Parties: This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions and Allocation of Shares in IPOs as issued by the Capital Market Authority (hereinafter referred to as the "**CMA**") (the Instructions shall hereinafter be referred to as the "**Book-Building Instructions**"), (said investors shall be collectively, referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, please refer to Section 1 ("**DEFINITIONS AND ABBREVIATIONS**")). The number of Offer Shares to be effectively allocated to Participating Parties is twelve million (12,000,000) ordinary Shares representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined in Tranche (B) below), the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of 10,800,000 Ordinary Shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company and the Selling Shareholders (each as defined in Section 1 of this Prospectus), shall determine the number and percentage of Offer Shares to be allocated to Participating Parties.

Tranche (B): Individual Investors: This tranche includes Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any national of countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), in each case who has a bank account with a Receiving Agents and having the right to open an investment account with a Capital Market Institution (as defined in this Prospectus) (collectively, the "**Individual Investors**", and each an "**Individual Investor**"). Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million two hundred thousand (1,200,000) ordinary Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

The current shareholders of the Company (hereinafter referred to as the "**Current Shareholders**") own all of the Company's Shares prior to the Offering. All Offer Shares will be sold by the selling shareholders listed on Page 6 (collectively the "**Selling Shareholders**"). The Current Shareholders, whose names appear on page 120 of this Prospectus and who collectively own the entirety of the Company's shares of the Shares prior to the Offering, shall own seventy percent (70%) of the Company's share capital following the Offering and will continue to hold the controlling interest in the Company.

The proceeds of the Offering shall be distributed, after deducting the Offering expenses ("**Net Offering Proceeds**") to the Selling Shareholders according in proportion to their ownership percentage in the Offering Shares. Moreover, the Company shall not receive any part of the Net Offering Proceeds (for more details, please see Section 8 "**USE OF PROCEEDS**"); noting that the Underwriter (as defined in this Prospectus) has fully pledged to cover the Offering (for more details, please refer to Section 13 ("**UNDERWRITING**"); and noting that the Substantial Shareholders listed on page (xii) of this Prospectus shall be prohibited from disposing of their shares for a period of six (6) months from the date of commencement of trading the Company's shares on Saudi Stock Exchange Tadawul Company (Tadawul) ("**Tadawul**", "**the Exchange**" or "**the Market**"). They may dispose of their shares after the end of this period without obtaining the CMA's prior approval, and the Company is prohibited from listing shares of the same class as the listed shares for a period of six (6) months from the date of the start of trading in the shares. The Substantial Shareholders are: Al-Fozan Holding Company and Mr. Abdullah bin Faisal bin Abdulaziz Al-Braikan. The details of the ownership percentages for each of them are shown in on Page (94) Table 5-1 if the Offering Summary ("**Direct Ownership in the Company pre and post Offering**").

The Offering for Individual Investors will commence on 06/11/1443H (corresponding to 05/06/2022G) and will remain open for a period of two days up to and including 07/11/1443H (corresponding to 06/06/2022G) (hereinafter referred to as the "**Offering Period**"). Subscription Applications may be submitted to the receiving agents (the "**Receiving Agents**") listed on page (viii) during the Offering Period (for further details, please refer to Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**")). Participating Parties can subscribe to the Offer Shares through the Bookrunner (defined in Section 1 ("**DEFINITIONS AND ABBREVIATIONS**")) during the book running process taking place prior to the Offering to Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed for is two hundred and fifty thousand (250,000) ordinary Shares per Individual Investor. The minimum allocation is ten (10) shares for each Individual Investor and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds one hundred and twenty thousand (120,000), with allocation made equally to all Subscribers. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the relevant Receiving Agent. Notification of the final allocation and refund of subscription monies, if any, will be made at the latest by Tuesday 15/11/1443H (corresponding to 14/06/2022G) (for further details, please refer to "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv) and Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**")).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**"), regardless of the number of Shares held thereby, has the right to attend and vote at Company General Assembly meetings (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared and paid by the Company as of the date of this prospectus ("**Prospectus**") and for subsequent fiscal years (for more information, please refer to Section 12 ("**LEGAL INFORMATION**") and Section 7 ("**DIVIDEND DISTRIBUTION POLICY**")). Prior to the Offering, there has been no public market for the Shares in the KSA or elsewhere. Applications have been submitted by the Company to (i) the Capital Market Authority (referred to as the "**CMA**") for the registration and offering of the Shares, and (ii) the Exchange for the listing of the Shares. All relevant regulatory and corporate approvals required from the CMA and the Exchange to conduct the Offering have been granted, including approvals pertaining to the publication of this Prospectus and all supporting documents have been submitted to the CMA. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (for further details, please refer to "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page (xiv)).

Following the registration and listing of Company Shares on the Exchange, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, and companies, banks, and investment funds established in the Kingdom or in countries of the GCC countries as well as GCC nationals, will be permitted to trade in the Shares after trading therein starts on the Exchange. Qualified Foreign Investors will be permitted to trade in the Shares pursuant to the CMA Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Strategic Foreign Investors may also trade in the Shares pursuant to the Rules Governing Acquisition by Strategic Foreign Investors (as defined herein). Non-GCC individuals living outside the Kingdom and institutions registered outside the Kingdom (hereinafter referred to as "**Foreign Investors**") will have the right to acquire an economic benefit in the Shares by entering into Swap Agreements with a Capital Market Institution to purchase Shares listed on the Exchange and to trade these Shares for the benefit of Foreign Investors. Under the Swap Agreements, the Capital Market Institutions shall remain the legal owners of the relevant Shares.

An investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be considered in connection with an investment in the Offer Shares, please refer to "**IMPORTANT NOTICE**" on page i and Section 2 ("**RISK FACTORS**"), which should be carefully considered prior to making a decision to invest in the Offer Shares.

Financial Advisor, Lead Manager, Bookrunner and Underwriter

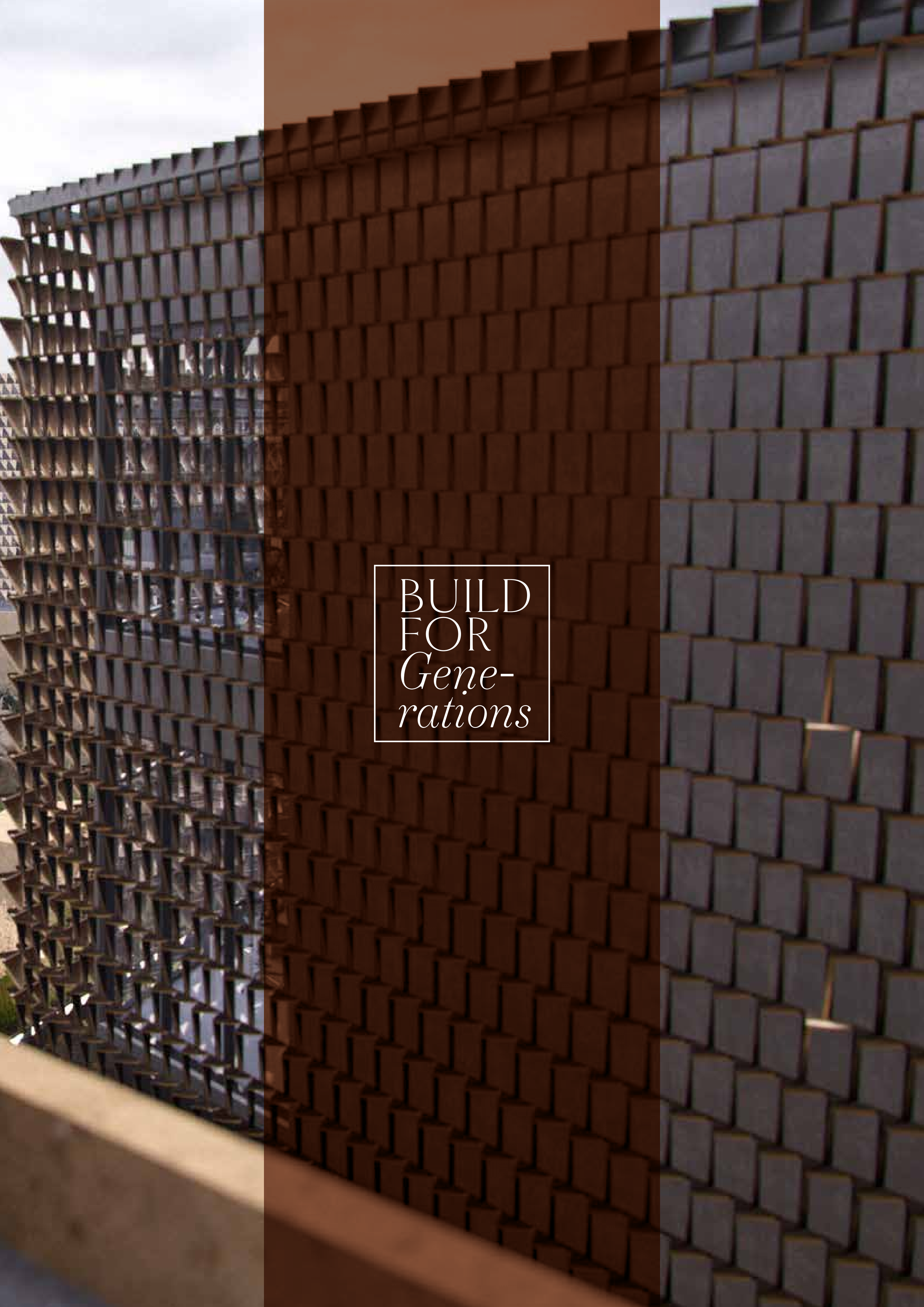
SNB Capital

This Prospectus includes information for the application for registration and offer of securities given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (the "**Authority**") and the application for listing securities in compliance with the Listing Rules of the Saudi Stock Exchange. The directors, whose names appear on page iv collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Exchange do not take any responsibility for the contents of this prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 13/08/1443H (corresponding to 16/03/2022G).

This Red Herring prospectus will be made available to Participating Parties participating in the Book-building process, and does not include the Offer Price. The final version of this Prospectus which will include the Offer Price shall be published after the completion of the Book-building process and the determination of the Offer Price.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purpose only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two languages.Financial Advisor, Lead Manager, Bookrunner and Lead Underwriter


BUILD
FOR
Generations

IMPORTANT NOTICE

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, investors, whether Participating Parties or Individual Investors, will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Receiving Agents or by visiting the websites of the CMA (www.cma.org.sa), the Saudi Exchange (www.saudiexchange.sa), the Company (www.retal.com.sa), or the Financial Advisor and the Lead Manager (www.hsbcsaudi.com).

In respect to the Offering, the Company has appointed SNB Capital as financial advisor (hereinafter referred to as the "**Financial Advisor**"), underwriter (hereinafter referred to as the "**Underwriter**") and lead manager (hereinafter referred to as the "**Lead Manager**"), and bookrunner (the "**Bookrunner**").

This Prospectus includes information provided in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA (as defined in Section 1 "**DEFINITIONS AND ABBREVIATIONS**"), in addition to the Listing Rules issued by the Saudi Exchange. The directors, whose names appear on page iv, collectively and individually, accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date of its publication, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While none of the Company, the Financial Advisor, nor any of the Company's other advisors whose names appear on pages vi and vii of this Prospectus (the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for further details, please refer to Section 2 ("**RISK FACTORS**")). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the directors, the Selling Shareholders, the Receiving Agents or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs of prospective investors. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual investment objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision to invest or not to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is restricted to two groups of investors which are: (A) Participating Parties: this comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for further details, please see Section 1 ("**DEFINITIONS AND ABBREVIATIONS**") of this Prospectus); (B) Individual Investors: this includes Saudi natural persons, including Saudi women who are divorced or widowed and have minor children by a non-Saudi husband, who may subscribe for Offer Shares in their name(s) for the mothers' own benefit, provided she submits proof of their marital status and motherhood, in addition to any non-Saudi natural persons residing therein or citizens of GCC countries who have a bank account with one of the Receiving Agents and are entitled to open an investment account with a Capital Market Institution.

Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

This Prospectus does not constitute an offer to sell or a solicitation to buy any of the Offer Shares, by any person in any country where such an offer or solicitation is prohibited. The Offer Shares are being offered outside the United States of America through offshore deals based on the relevant securities regulations.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person outside the Kingdom of Saudi Arabia, other than to Qualified Foreign Investors, certain other foreign investors pursuant to Swap Agreements entered into with a Capital Market Institution, in each case subject to applicable rules and regulations. All recipients of this Prospectus must inform themselves of any legal or regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions. Each eligible Individual Investor and Participating Party should read the entire Prospectus and seek and rely on their own counsel, financial advisors and other professional advisors for advice concerning the various legal, tax, regulatory and economic considerations relating to their investment in the Offer Shares and will be responsible for the fees of their own counsel, accountants and other advisors as to all matters concerning an investment in the Offer Shares. No assurance can be made that profits will be achieved.

MARKET AND INDUSTRY DATA

The information in Section 3 ("**MARKET OVERVIEW**") is derived from the market study report dated 31/01/2021 prepared by the Market Research Consultant, Arthur D. Little Saudi Arabia (the "**Market Consultant**" or "**Knight Frank**") for the benefit of the Company, in relation to the real estate sector in the Kingdom of Saudi Arabia (the "**Market Study**").

Subject to the Section entitled "**FORECASTS AND FORWARD-LOOKING DATA**", the directors believe that the Market Study information and data from other sources contained in this Prospectus, including that provided by the Market and Strategy Consultant, is reliable. However, this information and data has not been independently verified by the Company, the directors, the Advisors, nor the Selling Shareholders, and therefore none of the aforementioned bears any liability for the accuracy or completeness of said information.

The Market Consultant was established in 1896G in London, United Kingdom and has a wide range of clients, including in the real estate sector. It is a company headquartered in London, UK that provides strategic market research services. For more information, please visit the Market Consultant's website (https://www.knightfrank.com).

The Market Consultant does not, nor do any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives own any Shares or any interest of any kind in the Company. As of the date of this Prospectus, the Market and Strategy Consultant has given and not withdrawn its written consent for the use of its name, logo, the information, and market research supplied by it to the Company in the manner and format set out in this Prospectus.

FINANCIAL AND STATISTICAL INFORMATION

The consolidated financial statements of the Company for the financial years ended 31 December 2018G ("**FY2018G Financial Statements**"), 31 December 2019G (FY2019G Financial Statements), and 31 December 2020G ("**FY2020G Financial Statements**"), and the audited financial statements for the Period Ended 30 September 2021G ("**Financial Statements for the Period Ended 30 September 2021G**"), were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom of Saudi Arabia as prepared and reviewed by "**Baker Tilly MKM**" (Certified Public Accountants) ("**Baker Tilly**"), as stated in their report attached to this prospectus.

The above financial statements are set out in Section 20 ("**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORTS**"). The company issues its consolidated financial statements in Saudi Riyals.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, the figures shown for the same item presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. In cases where the amounts included in this Prospectus were converted from a foreign currency into Saudi Riyal, the Saudi Riyal exchange rate against the relevant currency is the one in effect as of the date hereof.

In this Section, the Company provides the financial information of its subsidiaries, in compliance with the Rules on the Offer of Securities and Continuing Obligations. It should be noted that the Company considers that said financial information does not reflect an accurate picture, given the way in which costs and expenses are allocated to each subsidiary when operated independently.

Throughout this Prospectus, Hijri dates are presented along with corresponding Gregorian dates, where relevant. The Hijri calendar is prepared on the basis of the anticipated lunar cycles. However, an actual sighting of the moon is used to determine the beginning of each month, as a result of which conversions from the Hijri to Gregorian calendars are often subject to discrepancies of one day. In addition, unless otherwise expressly stated in this Prospectus, any reference to "**year**" or "**years**" means Gregorian years.

FORECASTS AND FORWARD-LOOKING DATA

Forecasts set out in this Prospectus have been prepared on the basis of assumptions relating to the Company's business information as derived from its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its knowledge, statements have been made hereunder following the required due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "**forward-looking statements**". Such statements can generally be identified by their use of forward-looking words such as "**plans**", "**estimates**", "**believes**", "**expects**", "**anticipates**", "**may**", "**will**", "**should**", "**expected**", "**would be**" or the negative thereof or other variations of such terms or comparable terminology.

These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please refer to Section 2 ("**RISK FACTORS**")). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the OSCOs, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus, and before the end of the Offering, the Company becomes aware that:

a- there has been a significant change in any material information contained in this Prospectus or any document required by the OSCOs; or

b- significant additional issues have arisen whose inclusion in this Prospectus would have been necessary.

With the exception of these two cases, the Company does not intend to update or change any sector or market information or the forward-looking-statements included in this Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Therefore, investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

CORPORATE DIRECTORY

The Company's Board of Directors

Table (1-1): Members of the Company's Board of Directors

No.	Name[1]	Position	Nationality	Status	Date of Appointment[2]	Direct Ownership		Indirect Ownership	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Abdullah bin Abdullatif bin Ahmed Al-Fozan	Chairman	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	-	-	12.35%	8.65%
2	Ali bin Abdullatif bin Ahmed Al-Fozan	Vice Chairman	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	-	-	12.35%	8.65%
3	Fozan bin Mohammed bin Ahmed Al-Fozan	Member	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	-	-	9.50%	6.65%
4	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal	Member	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	-	-	-	-
5	Fahd bin Abdulrahman bin Mohammed Al-Mujil	Member	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	-	-	-	-
6	Abdullah bin Faisal bin Abdulaziz Al-Braikan	Member	Saudi	Executive/Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	5.0%	3.5%	-	-
7	Majed bin Ayed bin Ajeil Al Nafaie	Member	Saudi	Non-Executive/ Independent	13/04/1442H (corresponding to 28/11/2020G)	-	-	-	-
8	Hani bin Othman bin Saeed Baothman	Member	Saudi	Non-Executive/ Independent	22/12/1442H (corresponding to 01/08/2021G)	-	-	-	-
9	Abdulrahman bin Abdullah bin Saleh Al-Wabel	Member	Saudi	Non-Executive/ Independent	22/12/1442H (corresponding to 01/08/2021G)	-	-	-	-

Source: the Company.

(1) The current Secretary of the Company's Board of Directors is Hossam bin Mohammed Al-Kaf, who was appointed as the Secretary of the Company's Board of Directors on 18/01/1442H (corresponding to 06/09/2020G), and he does not own any shares in the Company.

(2) The dates listed in this table are the dates of appointment to the current positions on the Board of Directors. The biographies of the members of the Board of Directors contained in Section 5.1.3 ("**Biographies of the Members and Secretary of the Board**") reflect the dates of their appointment to the Board of Directors or any other position.

ADDRESSES OF COMPANY, REPRESENTATIVES AND BOARD OF DIRECTORS' SECRETARY

Retal Urban Development Company
King Faisal Street
P.O. Box 1448
Al-Khobar 31952
Kingdom Saudi Arabia
Tel: + 966 13 801 3732
Fax: +966 13 801 3778
Website: www.retal.com.sa
Email: info@retal.com.sa

RETAL

Company Representatives

Abdullah bin Faisal bin Abdulaziz Al-Braikan
Chief Executive Officer
King Faisal Street
P.O. Box 1448
Al-Khobar 31952
Kingdom Saudi Arabia
Unified Phone: +966 138612223
Tel: +966 560666600
Fax: +966 138611747
Website: www.retal.com.sa
Email: abdullah@retal.com.sa

Abdulrahman bin Ibrahim bin Abdulrahman Aljalal
Member of the Board of Directors
King Faisal Street
P.O. Box 1448
Al-Khobar 31952
Kingdom Saudi Arabia
Unified phone: +966 13840000
Tel: +966 505920525
Fax: +966 138400008
Website: www.retal.com.sa
Email: aljalal@diec.com.sa

Board Secretary

Hossam Mohammed Al-Kaf
King Faisal Street
P.O. Box 1448
Al-Khobar 31952
Kingdom Saudi Arabia
Unified Phone: +966 138013777
Ext: 3730
Tel: +966 589 50 9866
Fax: +966 13 801 3778
Website: www.retal.com.sa
Email: h.alkaf@retal.com.sa

RETAL

Stock Exchange

The Saudi Stock Exchange (Tadawul)
Tawuniya Towers, North Tower
King Fahd Road - Olaya 6897
Unit 15, P.O. Box 60612
Riyadh 12211- 3388
Kingdom Saudi Arabia
Tel: +966 92 000 1919
Fax: +966 11 218 9133
Website: https://www.saudiexchange.sa
Email: csc@saudiexchange.sa

Depository

The Securities Depository Center Company (Edaa)
Tawuniya Towers
King Fahd Road - Olaya 6897
Unit No. 11
Riyadh 12211- 3388
Kingdom Saudi Arabia
Tel: +966 92 002 6000
Website: www.edaa.com.sa
Email: cc@edaa.com.sa

Financial Advisor, Lead Manager, Bookrunner, and Underwriter

SNB Capital Company
The regional building of the Saudi National Bank
King Saud Road
Molding. 22216
Riyadh 11495
Kingdom Saudi Arabia
Tel: +966 9200 9200 00232
Fax: +966 11 406 0052
Website: www.alahlicapital.com
Email: snbc.cm@alahlicapital.com

Legal Advisor of the Issuer

Abdulaziz Al Ajlan and Partners, Lawyers and Legal Advisors
Al Olayan Complex, Tower II, third floor
Al Ahsa Street, Al Malaz
P.O. Box: 69103
Riyadh 11547
Kingdom of Saudi Arabia
Tel: +966 11 265 8900
Fax: + 966 11 265 8999
Website: www.legal-advisors.com
Email: legal.advisors@legal-advisors.com

Financial Due Diligence Advisor

PricewaterhouseCoopers - Public Accountants
Kingdom Tower, 21st floor,
P.O. Box 8282
Riyadh 11482
Saudi Arabia
Phone: +966 11 211 0400
Fax: +966 11 211 0250
Website: www.pwc.com
Email: imad.matar@pwc.com

Market Research Consultant

Knight Frank Middle East Limited
Raidah Digital City, First Floor
Riyadh
Kingdom Saudi Arabia
Tel: +966 11 289 0700
Website: www.knightfrank.com.sa
Email: Harmen.DeJong@me.knightfrank.com

Auditor

Baker Tilly MKM & Partners (Chartered Accountants)
Main Center - Riyadh, Olaya Road - King Fahd District
P.O. Box 300467
Riyadh 11372
Kingdom Saudi Arabia
Tel: +966 11 835 1600
Fax: +966 11 835 1601
Website: www.bakertillymkm.com
Email: saudi@bakertillyjfc.com

Note:

All the above-mentioned Advisors and Auditor have given and have not withdrawn their written consent, until the date hereof, to the publication of their names, logos and statements attributed to them in the context in which they appear in this Prospectus, and do not themselves, their employees, or any of their relatives have any shareholding or interest of any kind in the Company as of the date of this Prospectus.

Receiving Agents

Saudi National Bank (SNB)
King Fahd Road – Al-Aqiq -
King Abdullah Financial District
P.O. Box 3208, Unit No. 778
Kingdom of Saudi Arabia
Tel: +966 (92) 0001000
Fax: +966 (11) 406 0052
Website: www.alahli.com
Email: contactus@alahli.com

Riyad Bank
Eastern Ring Road
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel.: +966 (11) 401 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

Albilad Bank
King Abdullah Road
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia
Tel.: +966 (11) 479 8888
Fax: +966 (11) 479 8505
Website: www.bankalbilad.com
Email: customercare@bankalbilad.com

SUMMARY OF THE OFFERING

This Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Therefore, this Summary should be read as an introduction to this Prospectus and prospective investors should read and review this Prospectus in its entirety, and any decision regarding investing in the Offer Shares should be based by prospective investors on all the information in this prospectus as a whole. Accordingly, it is important to carefully consider the "**IMPORTANT NOTICE**" on page "i" and Section 2 ("**RISK FACTORS**"), prior to making any investment decision in the Offer Shares.

Company's Name, Description and Incorporation	The Company commenced its activity as a branch of the Building Construction Company Limited, which is a limited liability company under commercial registration no. 2051023581 dated 15/06/1420H (corresponding to 25/09/1999G). On 12/03/1433H (corresponding to 04/02/2012G), Building Construction Company Limited opened a branch in the name of Retal Urban Development under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) issued in the city of Al-Khobar to carry out its activities under said branch. On 26/05/1433H (corresponding to 18/04/2012G), the branch and all rights and obligations thereunder was converted to a limited liability company in the name of Retal Urban Development Company under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) with a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five thousand (5,000) cash shares with a nominal value of one hundred Saudi Riyals (SAR 100) per share, whereby the shareholders in the Company were: (1) Al Fozan Holding Company, with a shareholding of ninety-eight percent (98%) and (2) Building Construction Company Limited, with shareholding of two percent (2%). On 21/04/1434H (corresponding to 03/03/2013G), the shareholders approved a decision to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to ten million Saudi Riyals (SAR 10,000,000), divided into one hundred thousand (100,000) cash share of equal nominal value of one hundred Saudi Riyals (SAR 100) per share, through the capitalization of nine million five hundred thousand Saudi Riyals (SAR 9,500,000) taken from the shareholders' current account. On 21/06/1434H (corresponding to 01/05/2013G), Building Construction Company Limited waived the totality of its shares in the Company to Al Fozan Investment Company Limited, whereby the shareholders in the Company became: (1) with a shareholding of ninety-eight percent (98%) and (2) Al Fozan Investment Company Limited, with a shareholding of two percent (2%). On 23/02/1438H (corresponding to 23/11/2016G), the Company was converted from a limited liability company to a single shareholder limited liability company, whereby Al Fozan Investment Company Limited waived the totality of its shares in the Company to Al Fozan Holding Company, whereby the Company became wholly owned by Al Fozan Holding Company. On 16/05/1438H (corresponding to 13/02/2017G), the Company was converted from a single shareholder limited liability company to a limited liability company, whereby Al Fozan Holding Company relinquished one percent (1%) of its shares in the Company to Al Fozan Investment Company Limited, whereby the shareholders in the Company became: (1) Al Fozan Holding Company, with a shareholding of ninety-nine percent (99%), and (2) Al Fozan Investment Company Limited, with a shareholding of one percent (1%). On 21/04/1441H (corresponding to 18/12/2019G), the Company increased its capital from ten million Saudi Riyals (SAR 10,000,000) to two hundred and fifty million Saudi Riyals (SAR 250,000,000) divided into two hundred and fifty thousand (250,000) cash share of equal value, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, by capitalizing one hundred and fifty-seven million eight hundred sixty-six thousand one hundred and eight-nine Saudi Riyals (SAR 157,866,189) from the current account of the shareholders and eighty-two million one hundred thirty three thousand eight hundred and eleven Saudi Riyals (SAR 82,133,811) as a cash contribution from Shareholders. The conversion of the Company from a limited liability company to a closed joint stock company was approved under a shareholder decision dated 14/08/1441H (corresponding to 07/04/2020G). In addition, Al Fozan Investment Company Ltd. waived its entire shareholding of two thousand five hundred (2,500) ordinary shares in favor of Abdullah bin Faisal bin Abdulaziz Al-Braikan, who became a new shareholder in the Company, and the Company's capital was divided into twenty-five million (25,000,000) ordinary nominal shares of equal value of ten Saudi Riyals (SAR 10), which were distributed to shareholders, whereby ninety-five percent (95%) were allocated to Al Fozan Holding Company and five percent (5%) to Abdullah bin Faisal bin AbdulazizAl-Braikan. On 09/05/1442H (corresponding to 24/12/2020G) the Company's General Assembly increased the capital from two hundred and fifty million Saudi Riyals (SAR 250,000,000) to three hundred and seventy-five million Saudi Riyals (SAR 375,000,000), divided into thirty-seven million and five hundred thousand (37,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) each, comprised of twenty five million (25,000,000) cash shares and twelve million five hundred thousand (12,500,000) in-kind shares. Said in-kind shares were issued in exchange for the Company's acquisition of a 39.5% stake in the Saudi Tharwa Company, at a value of one hundred and seven million and four hundred and forty thousand Saudi Riyals (SAR 107,440,000), in addition to land valued at seventeen million five hundred and sixty thousand Saudi Riyals (SAR 17,560,000). Ownership of in-kind shares in Saudi Tharwa Company and the lands were transferred from Al-Fozan Holding Company to the Company, and the new shares issued by the Company were distributed among shareholders in proportion to the percentage of their contribution in accordance with an agreement between the shareholders and in accordance with the resolution of the Extraordinary General Assembly dated 09/05/1442H (corresponding to 24/12/2020G).

	On 19/10/1442H (corresponding to 31/05/2021G), the Company's General Assembly increased the capital from three hundred and seventy-five million Saudi Riyals (SAR 375,000,000) to four hundred million Saudi Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, by issuing five hundred thousand (500,000) fully paid new ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through the capitalization of twenty million Saudi Riyals (SAR 20,000,000) from the Company's retained earnings account, in addition to five million Saudi Riyals (SAR 5,000,000) deposited in cash in the Company's bank account; with (i) Al Saham Holding Company, (ii) Athman Holding Company, (iii) Gheras Holding Company and (iv) Maali Al Khaleej Trading Company entering the Company as new Shareholders.
Company's Activities	In accordance with the Bylaws, the Company's activities consist of construction, real estate activities, administrative services and support services.
Number of Shares held by the Substantial Shareholders Pre- and Post-Offering	The following table sets out the name as well as pre-Offering and post-Offering ownership percentages of Substantial Shareholders.

Table (1-2): Substantial Shareholders of the Company Pre and Post Offering

Shareholder's Name	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	No. of Shares	Par Value (SAR)	Direct Ownership	No. of Shares	Par Value (SAR)	Direct Ownership(1)
Al Fozan Holding Company	37,500,000	375,000,000	93.75%	26,250,000	262,500,000	65.63%
Abdullah bin Faisal bin Abdulaziz Al-Braikan	2,000,000	20,000,000	5.00%	1,400,000	14,000,000	3.50%
Total	**39,500,000**	**395,000,000**	**98.75%**	**27,650,000**	**276,500,000**	**69.1%**

Source: the Company

(1) Approximation of ownership percentages.

Company's Capital (as of the date of this Prospectus)	Four hundred million Saudi Riyals (SAR 400,000,000).
Total Number of Issued Shares (as of the date this Prospectus)	Forty million (40,000,000) Shares.
Offering	Initial public offering of twelve million (12,000,000) ordinary shares, representing thirty percent 30% of the Company's share capital, at an Offer Price of SAR [·] per Offer Share, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share.
Total Number of Offer Shares	Twelve million (12,000,000) fully paid Shares.
Nominal value per Share	Ten Saudi Riyals (SAR 10) per Share.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the Company's total Shares.
Offer Price	SAR [·] per Share.
Total value of Offer Shares	SAR [·]
Use of Proceeds	The Net Proceeds from the Offering amounting to approximately SAR [·] (after deducting the Offering expenses estimated at SAR [·]) will be distributed to the Selling Shareholders based on each Selling Shareholder's percentage ownership in the Offer Shares. The Company will not receive any part of the Net Proceeds from the Offering (for further details, please refer to Section 8 ("**USE OF PROCEEDS**")).
Number of Shares Underwritten	Twelve million (12,000,000) ordinary Shares.
Total Underwritten Offering Amount	SAR [·]

Categories of Targeted Investors	Subscription for the Offer Shares is restricted to the following groups of investors: Tranche (A): Participating Parties: This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions. The number of Offer Shares to be initially allocated to Participating Parties is twelve million (12,000,000) ordinary Shares representing one hundred percent (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors, the Bookrunners have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of ten million and eight hundred thousand (10,800,000) Ordinary Shares, representing ninety percent (90%) of the total Offer Shares. The Financial Advisor, in coordination with the Company and the Selling Shareholders shall determine the number and percentage of Offer Shares to be allocated to Participating Parties using the optional allocation rule. Tranche (B): Individual Investors: This tranche includes Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any national of countries of the Cooperation Council for the Arab States of the Gulf, in each case who has a bank account with a Receiving Agents and having the right to open an investment account. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million two hundred thousand (1,200,000) ordinary Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated thereto, the Financial Advisor and Lead Manager may reduce the number of Offer Shares allocated thereto in proportion to the number of Offer Shares subscribed for by them. The Financial Advisor, in coordination with the Company and the Selling Shareholders, shall determine the number and percentage of Offer Shares to be allocated to Individual Investors.
Total Offer Shares available for each Targeted Investor Category	
Number of Shares offered to Participating Parties	Twelve million (12,000,000) ordinary Shares representing one hundred percent (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors and Participating Parties fully subscribe to the Offer Shares allocated thereto, the Bookrunner may decide to reduce the number of Shares allocated to Participating Parties to a minimum of ten million eight hundred thousand (10,800,000) Shares, representing ninety percent (90%) of the total Offer Shares.
Number of Shares offered to Individual Investors	A maximum of one million two hundred thousand (1,200,000) Offer Shares, representing ten percent (10%) of the total Offer Shares.
Subscription Method for each Targeted Investor Category	
Subscription Method for Participating Parties	Participating Parties as defined in Section 1 ("**DEFINITIONS AND ABBREVIATIONS**") are entitled to submit a Subscription Application Form or request to participate in Bookbuilding during the Book-Building Period, through the Subscription Application Forms that the Financial Advisor and the Bookrunner will provide in accordance with the instructions set forth in Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**"). Participating Parties must fill out the Subscription Application Forms for Participating Parties after Offer Shares are allocated based on the number of shares initially allocated thereto.
Subscription method for Individual Investors	Retail Subscription Forms will be available for Individual Investors during the Offering Period at all Receiving Agents' branches. Retail Subscription Forms must be completed in accordance with the instructions described in Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**"). Individual Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or automated teller machines ("**ATMs**") of the Receiving Agents that offer any or all such services to their customers, provided that the following requirements are satisfied: (i) the Investor must have a bank account at a Receiving Agent which offers such services, and (ii) there have been no changes in the personal information or data of the Individual Investor since such person's subscription to the last initial public offering.
Minimum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	One hundred thousand shares (100,000) Shares.

Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) Shares.
Minimum Subscription Amount by each Category of Targeted Investors	
Minimum Subscription Amount for Participating Parties	SAR [·].
Minimum Subscription Amount for Individual Investors	SAR [·].
Maximum Number of Offer Shares to be Applied for by each Category of Targeted Investors	
Maximum Number of Offer Shares to be Applied for by Participating Parties	One million and nine hundred and ninety nine thousand and one hundred ninety nine (1,999,999) Shares for Public Funds only, not to exceed the maximum limit for each Participating Public Fund as determined in accordance with the Book Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred and fifty thousand (250,000) Shares.
Maximum Subscription Amount by each Category of Targeted Investors	
Maximum Subscription Amount for Participating Parties	SAR [·].
Maximum Subscription Amount for Individual Investors	SAR [·].
Allocation and Refund Method for each Category of Targeted Investors	
Allocation of Offer Shares to Participating Parties	The initial allocation of the Offer Shares will be made as determined by the Company and the Financial Advisor, using the voluntary share allocation method. The Company and the Financial Advisor may decide to not allocate any Offer Shares to certain Participating Parties. Final allocation of the Offer Shares to the Participating Parties will be made through the Lead Manager, as deemed appropriate by the Financial Advisor in coordination with the Company and the Selling Shareholders using the optional allocation mechanism, following subscription by Individual Investors. The number of Offer Shares to be initially allocated to Participating Parties is twelve million (12,000,000) Shares representing one hundred percent (100%) of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, the Bookrunner may decide to reduce the number of Shares allocated to Participating Parties to ten million eight hundred thousand (10,800,000) Shares, representing ninety percent (90%) of the total Offer Shares, following subscription by Individual Investors.
Allocation of Offer Shares to Individual Investors	The allocation of the Offer Shares for Individual Investors is projected to be completed no later than 13/11/1443H (corresponding to 12/06/2022G), with the minimum allocation per Individual Investor amounting to ten (10) Offer Shares, and the maximum allocation per Individual Investor amounting to two hundred and fifty thousand (250,000) Offer Shares. The remaining Offer Shares, if any, shall be allocated on a pro-rata basis based on the number of Offer Shares applied for by each Individual Investor to the total number of subscribed for shares. In the event that the number of Individual Investors exceeds one hundred and twenty thousand (120,000), the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company, the Selling Shareholders and Financial Advisor.
Refund of Excess Subscription Monies	Surplus subscription amounts (if any) will be refunded to Individual Investors without any charge or withholding by the Lead Manager or relevant Receiving Agent as indicated within the Retail Subscription Form. Notification of the final allotment and refund of subscription monies, if any, will be made at the latest by 15/11/1443H (corresponding to 14/06/2022G) (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page xiv).
Offering Period	The Offering will commence on Sunday 06/11/1443H (corresponding to 05/06/2022G) and will remain open for a period of two days up to and including closing time on the last Subscription day on Monday 07/11/1443H (corresponding to 06/06/2022G) (for further details, please refer. "**KEY DATES AND SUBSCRIPTION PROCEDURES**" on page xiv).

Distribution of Dividends	The Offer Shares will be entitled to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**DIVIDEND DISTRIBUTION POLICY**")).
Voting Rights	The Company has one class of Ordinary Shares, which do not carry any preferential voting rights, whereby each Shareholder may cast one vote for each share held thereby at the General Assemblies. A Shareholder may authorize another Shareholder that is not a member of the Board of Directors to attend the General Assembly and vote on its behalf (for further details, please refer to Section 12-15 ("**Description of Shares**")).
Share Restrictions (Lock-up Period)	The Substantial Shareholder, shown on page "xii" will be subject to a Lock-up Period of six (6) months starting from the commencement of trading of the Shares on the Saudi Stock Exchange, during which the Substantial Shareholder shall be prohibited from disposing of its Shares. Following the Lock-up Period, the Substantial Shareholders will be free to dispose of their Shares. In addition, the Company is prohibited from listing shares of the same class as the Offer Shares for a period of six (6) months starting from the start of trading of the Offer Shares on the Exchange.
Listing and Trading of Shares	Prior to the Offering, there has been no public market for the Shares in the KSA or elsewhere. An application has been made to the CMA for the registration and offering of the Shares in accordance with the OSCOs, and the Company has made an application to the Exchange to list its Shares in accordance with the Listing Rules. All relevant regulatory and corporate approvals required from the CMA and the Exchange to conduct the Offering have been granted, including approvals pertaining to the Offering and all supporting documents have been submitted to the CMA. It is expected that Shares will commence trading on the Exchange shortly after the final allocation of the Shares. (For more details, please refer to page (xiv) ("**KEY DATES AND SUBSCRIPTION PROCEDURES**")).
Risk Factors	There are certain risks related to investing in the Offering. Such risks can be classified as follows: (i) risks related to the Company and its operations; (ii) risks related to the company's activity and operations; and (iii) risks related to the market, industry and regulatory environment, and (iiii) risks related to the Offer Shares. These risks are described in Section 2 ("**RISK FACTORS**") and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholder shall be responsible for all expenses and costs associated with the Offering, which are estimated at around SAR [•]. Such costs shall be deducted from the Offering proceeds, and include the fees of the Financial Advisor, Underwriter, Issuer's Legal Advisor, the Financial Due Diligence and Working Capital Advisor, Auditor, Market and Strategy Consultant, and other Advisors, in addition to the fees of the Receiving Agents, marketing, printing and distribution expenses, as well as other related expenses.
Financial Advisor, Lead Manager and Underwriter	**SNB Capital Company** The regional building of the Saudi National Bank King Saud Road Molding. 22216 Riyadh 11495 Kingdom Saudi Arabia Tel: +966 9200 9200 00232 Fax: +966 11 406 0052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com

Note: Page i ("**IMPORTANT NOTICE**") and Section 2 ("**RISK FACTORS**") of this Prospectus must be carefully studied before making any decision regarding investing in Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table (1-3): Expected Offering Timetable

Expected Offering Timetable	Date
Offering Period for Participating Parties and Book-Building Period	Starting from 24/10/1443H (corresponding to 25/05/2022G) and closing at the end of 01/11/1443H (corresponding to 31/05/2022G).
Deadline for submission of Subscription Forms by Participating Parties based on the initial allocation of Offer Shares	06/11/1443H (corresponding to 05/06/2022G).
Submission Period for Individual Investors	Starting from 06/11/1443H (corresponding to 05/06/2022G) and closing at the end of 07/11/1443H (corresponding to 06/06/2022G).
Deadline for payment of subscription money by Participating Parties based on their initially allocated Offer Shares	08/11/1443H (corresponding to 07/06/2022G).
Deadline for submission of Retail Subscription Forms and payment of the subscription monies by Individual Investors	07/11/1443H (corresponding to 06/06/2022G).
Announcement of final Offer Shares allotment	13/11/1443H (corresponding to 12/06/2022G).
Refund of excess subscription monies (if any)	16/11/1443H (corresponding to 15/06/2022G).
Expected trading commencement date for the Shares	Trading of the Offer Shares on the Exchange is expected to commence after all relevant legal requirements and procedures have been fulfilled. Trading will be announced in local newspapers and on the Saudi Exchange website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing in national daily newspapers, on the Saudi Exchange website (www.saudiexchange.sa), the Company's website (www.retal.com.sa) and the website of the Financial Advisor and Lead Manager (www.alahlicapital.com).

How to Apply for Offer Shares

The Offering shall be restricted to the following two groups of investors:

Tranche (A): Participating Parties: Parties eligible to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 ("**DEFINITIONS AND ABBREVIATIONS**") and Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**")).

Tranche (B): Individual Investors: Individual investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, then the relevant regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Participating Parties

Participating Parties can obtain the Subscription Application Forms from the Bookrunner during the Book-Building Period, and obtain the Subscription Form from the Bookrunner following the initial allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to Participating Parties only during the Book-Building Period. Subscriptions by the Participating Parties shall commence during the Offering Period, which shall also include the Individual Investors, according to the terms and conditions detailed in the Subscription Forms. A signed and stamped Subscription Form shall be submitted to the Bookrunner, with such Subscription Form representing a binding agreement between the Selling Shareholders and the applicant Participating Party.

Individual Investors

Retail Subscription Forms for Individual Investors will be available during the Offering Period at all Receiving Agents. Individual Investors who have participated in previous initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents offering any or all such services to its customers, provided that the following requirements are satisfied:

- the Individual Investor must have a bank account at the Receiving Agent which offers such services; and
- there have been no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his family) since such person last participated in an initial public offering.

Each Individual Investor is required to fill out the Retail Subscription Form according to the instructions described in Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**"). Each applicant must complete all the relevant sections in the Retail Subscription Form. The Company reserves the right to reject any Retail Subscription Form, in part or in whole, if any of the subscription terms and conditions are not met. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. The Retail Subscription Form cannot be amended or withdrawn once submitted. Furthermore, the Retail Subscription Form shall, upon submission, be considered to be a legally binding agreement by the relevant investor to the Selling Shareholders.

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with the Receiving Agent from which the subscription value has been debited in the first place, without withholding any charge or commission by the relevant Receiving Agent. Excess subscription monies shall not be refunded in cash or to third party accounts.

For further details pertaining to subscription by Individual Investors or Participating Parties, see Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**").

SUMMARY OF KEY INFORMATION

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary should be treated as an introduction to this Prospectus. Recipients of this Prospectus should read the Prospectus in its entirety, as any decision by prospective investors to invest in the Offer Shares should be based on a study of this Prospectus as a whole. In particular, it is important to carefully consider the ("**IMPORTANT NOTICE**") on page (i) and Section 2 ("**RISK FACTORS**"), respectively, prior to making any investment decision in relation to the Offer Shares.

OVERVIEW OF RETAL URBAN DEVELOPMENT COMPANY

Overview of the Company and its Business Activities

Retal Urban Development Company (hereinafter referred to as the "**Company**") is a Saudi joint stock company established in Al-Khobar under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) pursuant to ministerial resolution no. 4247, dated 14/08/1441H (corresponding to 07/04/2020G). The current share capital of the Company is four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a fully paid-up nominal value of SAR 10 per share (the "**Shares**", and each a "**Share**").

The Company commenced its activity as a branch of the Building Construction Company Limited, which is a limited liability company under commercial registration no. 2051023581 dated 15/06/1420H (corresponding to 25/09/1999G). On 12/03/1433H (corresponding to 04/02/2012G), Building Construction Company Limited opened a branch in the name of Retal Urban Development under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) issued in the city of Al-Khobar to carry out its activities under said branch. On 26/05/1433H (corresponding to 18/04/2012G), the branch and all rights and obligations thereunder was converted to a limited liability company in the name of Retal Urban Development Company under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) with a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five thousand (5,000) cash shares with a nominal value of one hundred Saudi Riyals (SAR 100) per share, whereby the shareholders in the Company were: (1) Al Fozan Holding Company, with a shareholding of ninety-eight percent (98%) and (2) Building Construction Company Limited, with shareholding of two percent (2%). On 21/04/1434H (corresponding to 03/03/2013G), the shareholders approved a decision to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to ten million Saudi Riyals (SAR 10,000,000), divided into one hundred thousand (100,000) cash share of equal nominal value of one hundred Saudi Riyals (SAR 100) per share, through the capitalization of nine million five hundred thousand Saudi Riyals (SAR 9,500,000) taken from the shareholders' current account. On 21/06/1434H (corresponding to 01/05/2013G), Building Construction Company Limited waived the totality of its shares in the Company to Al Fozan Investment Company Limited, whereby the shareholders in the Company became: (1) with a shareholding of ninety-eight percent (98%) and (2) Al Fozan Investment Company Limited, with a shareholding of two percent (2%). On 23/02/1438H (corresponding to 23/11/2016G), the Company was converted from a limited liability company to a single shareholder limited liability company, whereby Al Fozan Investment Company Limited waived the totality of its shares in the Company to Al Fozan Holding Company, whereby the Company became wholly owned by Al Fozan Holding Company. On 16/05/1438H (corresponding to 13/02/2017G), the Company was converted from a single shareholder limited liability company to a limited liability company, whereby Al Fozan Holding Company relinquished one percent (1%) of its shares in the Company to Al Fozan Investment Company Limited, whereby the shareholders in the Company became: (1) Al Fozan Holding Company, with a shareholding of ninety-nine percent (99%), and (2) Al Fozan Investment Company Limited, with a shareholding of one percent (1%). On 21/04/1441H (corresponding to 18/12/2019G), the Company increased its capital from ten million Saudi Riyals (SAR 10,000,000) to two hundred and fifty million Saudi Riyals (SAR 250,000,000) divided into two hundred and fifty thousand (250,000) cash share of equal value, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, by capitalizing one hundred and fifty-seven million eight hundred sixty-six thousand one hundred and eight-nine Saudi Riyals (SAR 157,866,189) from the current account of the shareholders and eighty-two million one hundred thirty three thousand eight hundred and eleven Saudi Riyals (SAR 82,133,811) as a cash contribution from Shareholders. The conversion of the Company from a limited liability company to a closed joint stock company was approved under a shareholder decision dated 14/08/1441H (corresponding to 07/04/2020G). In addition, Al Fozan Investment Company Ltd. waived its entire shareholding of two thousand five hundred (2,500) ordinary shares in favor of Abdullah Faisal Al-Braikan, who became a new shareholder in the Company, and the Company's capital was divided into twenty-five million (25,000,000) ordinary nominal shares of equal value of ten Saudi Riyals (SAR 10), which were distributed to shareholders, whereby ninety-five percent (95%) were allocated to Al Fozan Holding Company and five percent (5%) to Abdullah Faisal Al-Braikan. On 09/05/1442H (corresponding to 24/12/2020G) the Company's General Assembly increased the capital from two hundred and fifty million Saudi Riyals (SAR 250,000,000) to three hundred and seventy-five million Saudi Riyals (SAR 375,000,000), divided into thirty-seven million and five hundred thousand (37,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) each, comprised of twenty five million (25,000,000) cash shares and twelve million five hundred thousand (12,500,000) in-kind shares. Said in-kind shares were issued in exchange for the Company's acquisition of a 39.5% stake in the Saudi Tharwa Company, at a value of one hundred and seven million and four hundred and forty thousand Saudi Riyals (SAR 107,440,000), in addition to land valued at seventeen million five hundred and sixty thousand Saudi Riyals (SAR 17,560,000). Ownership of in-kind shares in Saudi Tharwa Company and the lands were transferred from Al-Fozan Holding Company to the Company, and the new shares issued by the Company were distributed among shareholders in proportion to the percentage of their contribution in accordance with an agreement between the shareholders and in accordance with the resolution of the Extraordinary General Assembly dated 09/05/1442H (corresponding to 24/12/2020G). On 19/10/1442H (corresponding to 31/05/2021G), the Company's General Assembly increased the capital from three hundred and seventy-five million Saudi Riyals (SAR 375,000,000) to four hundred million Saudi Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, by issuing five hundred thousand (500,000) fully paid new ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through the capitalization of twenty million Saudi Riyals (SAR 20,000,000) from the Company's retained earnings account, in addition to five million Saudi Riyals (SAR 5,000,000) deposited in cash in the Company's bank account; with (i) Al Saham Holding Company, (ii) Athman Holding Company, (iii) Gheras Holding Company and (iv) Maali Al Khaleej Trading Company entering the Company as new Shareholders.

Vision of the Company

The Company seeks to be a pioneer in the field of real estate development in the Kingdom of Saudi Arabia, by building high-end and high-quality residential complexes at competitive prices.

Mission

To develop residential and commercial buildings that meet the needs of the market and contribute to raising the Saudi urban environment to the highest levels, by paying great attention to details and content.

Strengths and Competitive Advantages

The Company possesses numerous strengths and competitive advantages that significantly contribute to its success and distinguish it from its competitors. Management believes that the Company's competitive advantages and strength are:

Simple business model that provides flexibility and facilitates growth

Retal is one of the new generation companies specialized in urban development in the Kingdom of Saudi Arabia and a pioneer in launching quality residential projects through large scale off-plan sales. The off-plan sales model enables developers to implement high-return projects with limited capital contributions, while reducing market and construction risks; which means that trusted developers, such as Retal, are able to benefit from off-plan sales to implement already sold projects, which reflects positively on the Company's business fundamentals in terms of project financing, investment schedule, inventory management and project returns.

The off-plan sales model enables Retal to complete construction in phases and better focus on high-quality design, flexible planning and development to deliver customized offerings that meet market needs.

According to a market study by Knight Frank, the demand for off-plan projects in Saudi Arabia, especially residential projects, is increasing as customers want to take advantage of the affordability and flexibility offered by such projects compared to purchasing existing properties. The market study also focuses on mortgage market growth, which positively reflects on Retal's clients to finance their homes. As a result, developers are able raise the funds required to sell units in record time, transferring collection risks to specialized financing institutions.

Integration of the development and quality control system across Retal's subsidiaries

Retal consists of the Urban Development Unit in addition to a group of subsidiaries that operate in concert to achieve integration in the following areas: (1) infrastructure development, (2) design and engineering consultancy, (3) project management, (4) construction and contracting, (5) property management, (6) facilities management. This integrated service platform provides the ability to ensure efficiency and quality control across all businesses, to close the development cycle and after sales services.

Retal Group thus uses the latest digital solutions that enhance business flow, optimize costs, as well as increase speed and adaptability. In addition, Retal Group has strong partnerships with both the public and private sectors and has forged strategic alliances with industry leaders, service providers and leading financial institutions to support ecosystem integration.

Well-established brand and track record

Since its establishment in 2012G, Retal has built a unique real estate portfolio that includes more than 30 completed and under construction projects, representing a total of 7,284 housing units in various regions of the Kingdom of Saudi Arabia, of which about 2,957 units were completed by 30/09/2021G.

Over the years, the company has built a good reputation in terms of quality and trust, and, in turn, has managed to become a leader in the field of off-plan sales in the Saudi market, backed by its internal and societal sustainability, significant expansion in the market, large customer base, trusted partners and shareholders.

Retal has been setting the standards for residential and commercial urban development for nearly a decade, with a track record of quality, excellence and value. Retal is at the forefront of urban innovation and advancements in the Kingdom of Saudi Arabia. The customer experience provided by Retal is on par with global developers in terms of technology adoption, customer needs, adherence to delivery schedules, and after sales customer service.

In recognition of its achievements, Retal has received many prestigious awards and market accreditations, the latest of which was the 2020G "**Best Real Estate Developer in the Kingdom**" award from the MoMRAH for the second year in a row. The award is in recognition of Retal's achievements and continued success in building housing units for the Nesaj Town projects in partnership with the National Housing Company. These certifications best evidence Retal's industry-leading capabilities to provide real estate solutions and projects of exceptional quality and value.

Highly qualified leadership and solid corporate governance

Retal is led by a highly qualified professional and specialized team, which contributed to enabling the Company to realize high achievements and secure a reputation of excellence and extensive experience in the real estate sector, in addition to its proven record in the field of housing development by providing high-end services and innovative solutions that achieve the highest international standards and best practices with more than 1,000 talented experts.

Retal's management constantly encourages everyone in the Company to adopt a productive and results-oriented approach to developing their careers, supported by customized training programs and knowledge-sharing avenues that enable Retal staff to possess strong emotional and intellectual qualities, as well as a sense of responsibility and integrity in their day-to-day work.

Retal's governance structure sets out clear roles and responsibilities for the management team, Board, Shareholders and other stakeholders to build an environment of trust, transparency, and accountability, which forms the cornerstone of Retal's commitment to promoting long-term investment, financial stability, and business integrity, thereby supporting stronger growth and more inclusive and sustainable societies.

Strong financial performance

The Company has a proven track record of achieving steady growth across key financial metrics, as the its total revenues witnessed a significant increase during the years from 2018G to 2020G, with a significant increase from SAR 209 million in 2018G to SAR 587 million in 2020G (which represents a CAGR of 67.6%) supported by a wide range of high quality residential and mixed-use projects across the Kingdom, supported by the off-plan sales model.

Retal maintains a unique mix of risks and returns supported by a significant historical growth in the Company's total sales and net income over the past few years, where the Company recorded a net profit that rose from SAR 3 million to SAR 99 million from 2018G to 2020G.

Despite Retal expanding its business over the past two years, it has been able to distribute more than 80% of its net income as dividends, which proves that the expansion formula and dividends distribution can be balanced to maximize shareholder value.

Company's Strategy

The Company's core strategies that aim to lay solid foundations for sustainable growth depend on the following:

Expand its market share in the Kingdom by providing high quality products in different market sectors

The Company constantly seeks to provide high quality cultured value through its projects, in line with the Kingdom's 2030 vision, to establish urban development, develop and encourage built environment and meet increasing market demand.

The government estimates that the demand for housing units will reach 4 million units by 2030G, with a demand gap of 2 million units. This is primarily due to the Royal Commission for the City of Riyadh's plan to double the population growth in Riyadh from 7.5 million in 2020G to 15 million in 2030G.

The government has put forward various initiatives with the aim of supporting real estate sector development, such as providing affordable housing for Saudi citizens, and several financing programs to increase home ownership percentage to 70% in 2030G, compared to 47% in 2017G. The government housing program was designed to facilitate home ownership procedures and led to a doubling supply and demand through its programs that provide housing solutions in cooperation with the private sector, which led to an increase in the percentage of home ownership to about 60% in 2020G.

The Company offers a wide range of housing units, from affordable housing units to high-end housing units. Since its inception, the Company's portfolio includes more than 7,000 housing units that meet market demand across various categories.

In light of the demographic trends supported by large-scale government initiatives, the Company seeks to increase its leadership position and raise its market share in the housing development sector in the Kingdom by taking advantage of various opportunities that serve different market sectors, with a primary focus on the main urban cities of Riyadh, Dammam and Jeddah, which, according to the market study, comprise about 65.0% of the Saudi population.

Achieve a flexible and transparent governance structure to ensure alignment between the Company and its Subsidiaries in order to speed up the decision-making process

The Company is committed to a well-defined governance framework based on specific and clear roles and responsibilities aimed at organizing and aligning entities at the subsidiary level with regard to the Company's strategic objectives, in order to ensure proper decision-making and adopt mechanisms for maintaining the latter, while creating an environment characterized by responsiveness and transparency for key stakeholders (such as Shareholders, customers and regulators).

The adopted strong governance framework is in line with best market practices and complies with the standards of the Capital Market Authority, which serves the objective of enhancing the Company's responsibility through an efficient and effective oversight, supervision and risk management mechanism.

Enhance digital transformation to improve business efficiency and productivity in order to improve the customer experience

The Company constantly strives for a leadership position and immediate dependence on the market environment and changing business requirements.

The spread of the Covid-19 virus at start of 2020G resulted in a large-scale economic slowdown, which has led to a few business interruptions due to public health restrictions imposed by the government, which in turn led to the curtailment of commercial activities and limited access to customers across different sectors to reduce face-to-face interactions in response to the measures imposed due to the global pandemic.

In light of the above, the Company seized the opportunity by creating an online platform that features unique virtual key elements, such as an interactive 360-degree tour of its residential offerings, online selling services with booking options and a high degree of customization features for units (for luxury products). The strict government restrictions imposed during the curfew period helped boost the use of the Company's virtual solutions. As a result, the Company was well-equipped to adopt to changing business requirements and thus was able to book many units of the Ayala Al-Nakheel luxury project during the curfew period without the need for face-to-face dealings by providing unique customization services in terms of location, type, house layouts and facade design options to provide convenient remote interactions with clients.

The Company aims to be ready to identify growth opportunities under different market conditions in order to achieve the ultimate goal of further encouraging a customer-centric culture and enhancing customer experience.

Create strong brand awareness through strategic alliances and unconventional marketing methods

The Company is constantly keen to expand its communication network with customers through its strategic partnerships and innovative marketing methods to enhance its brand recognition and market position.

Through its comprehensive business lines that constitute an integrated system that meets market requirements, (from design to post-delivery services), the Company has expanded its customer base in light of its outstanding capabilities in development and implementation, which led the Company to achieve great success in creating a strong brand name associated with high quality products.

The Company succeeded in attracting reservations for about 700 units in Nesaj Town Riyadh within 96 hours of its launch on the Sakani platform, and 170 units in Nesaj Town Al-Khobar within one hour during 2021G, which indicates the position of the Retal brand in the market backed by its marketing strategies that have been successfully implemented.

On 04/08/2021G, the Company also entered into a strategic partnership with Alpha Capital, where it launched a real estate development fund that raised more than half a billion Saudi Riyals to invest in the "**Marasi Al-Khobar**" project located between Dammam and Al-Khobar, as part of a strategic 7.5 billion Saudi Riyals partnership, which contributes to achieving part of the Company's future plans.

Furthermore, the Company aims to deliver unique value to its customers by continuing to capitalize on its existing partnerships and strategic expansion of its alliances and partnerships with global brands and industry leaders to expand product offerings, expand its customer network and develop a competitive advantage over its peers in order to ultimately achieve growth and maintain its successful position in the long term.

Ensure adherence to high quality standards

The Company aims to adhere to strict quality controls during all stages of development, in order to achieve the highest quality standards and to link the Company's brand name to unparalleled levels of quality in the market. The Company believes that keeping its strategic focus on delivering current and future projects at a distinguished level of quality is a top priority, led by distinguished design, appropriate price for the target group and delivery in record time, which will enable it to maintain and enhance its current position in the market.

Develop and attract outstanding talent

The Company aims to attract, retain and nurture distinguished national talents in various fields by providing numerous advantages that enhance a positive and supportive work environment to ensure opportunities for professional growth, which aims to consolidate the Company's reputation as one of the preferred work environments for the stability of eminent competencies.

Key developments of the Company since establishment

The following table shows the Company's key developments since its establishment up to the date of this Prospectus

Table (1-4): Key Developments of the Company since Establishment

Year	Event/Development
2012G	Company established in the Eastern Region of Saudi Arabia.
2013G	Company's capital was increased from SAR 500,000 to SAR 10,000,000.
2014G	The Company launched its first residential projects bearing the "**Ewan**" brand, targeting middle to high income segments.
2016G	The Company acquires Tadbeir Real Estate Company specialized in facilities management and real estate services.
2017G	The Company acquires Building Construction Company specialized in residential and non-residential public construction.
2017G	The Company acquires Nesaj Urban Development Company specialized in construction project management.
2018G	The Company sells a total of 224 units.
2018G	The Company launches its first projects under the "**Nesaj Town**" brand, in cooperation with the National Housing Company and the MoMRAH, to implement about 674 housing units.
2019G	Company's capital was increased from SAR 10,000,000 to SAR 250,000,000.
2019G	The Company signs a strategic partnership with Mimar Emirates Engineering Consultant.
2019G	The Company sells a total of 570 units.
2019G	The Company is honored as the best real estate developer in the Kingdom for 2019G by the MoMRAH.
2020G	Development of the first Nesaj Town projects is completed.
2020G	Company is converted from a limited liability company to a joint stock company.
2020G	Company's capital was increased from SAR 250,000,000 to SAR 375,000,000.
2020G	The Company sells a total of 2,015 units.
2020G	The Company launches its first projects under the "**Ayala**" brand, targeting high-income segments.
2020G	The Company launches an electronic reservation portal, which enables customers to reserve and modify their units in an exceptional virtual experience.
2021G	Company's capital was increased from SAR 375,000,000 to SAR 400,000,000.
2021G	Company won "**2020G Best Developer**" award by the MoMRAH for the second consecutive year.
2021G	Transferring a branch of Tadbeir Co. Ltd. to Tadbeir Real Estate Co., specializing in real estate services.
2021G	Establishment of Remal AlKhobar Company as a subsidiary of the Company and signing a contract with Nobu Worldwide Hotel Management Company to establish Nobu Al-Khobar Hotel.
2021G	The Company launches a real estate development fund that raised more than half a billion Saudi Riyals to invest in the "**Marasi Al-Khobar**" project, located between Dammam and Al-Khobar, as part of a 7.5 billion Saudi Riyals strategic partnership with Alpha Capital.
2021G	Roshn, the national real estate developer for residential areas, selects the Company to be the first real estate developer with which it enters into a partnership to construct more than 100 housing units in the city of Riyadh.
2022G	The Company received the 2022G Excellence Award for Residential Projects for the Nesaj Town Riyadh Project, awarded by the Real Estate Future Forum held in Riyadh.

Source: the Company

MARKET OVERVIEW

The Company obtained the data and information included in Section 3 (“**MARKET OVERVIEW**”) relating to the market and sector in which it operates from the Market Assessment Report prepared by Knight Frank Middle East (hereinafter referred to as the “**Market Research Consultant**”). The study was issued on June 2021G.

Knight Frank Middle East was established in 1896G in London, United Kingdom and provides strategic market research services. For more information, please visit the Market Consultant’s website (https://www.knightfrank.com).

It shall be noted that neither the Market Research Consultant nor any of its shareholders, directors or their relatives, own any kind of share or interest in the Company or its affiliate companies. The Market Research Consultant has given its written approval on the use of the market information and studies provided to the Company as shown in this Prospectus, and such approval has not been withdrawn to date.

The directors believe that the Market Study information and data from other sources contained in this Prospectus, including that provided by the Market Consultant, is reliable. However, this information and data has not been independently verified by the Company, the directors, the Advisors, nor the Selling Shareholders, and therefore none of the aforementioned bears any liability for the accuracy or completeness of said information.

OVERVIEW OF THE SAUDI ECONOMY

The Kingdom has the largest economy in the MENA region in terms of economic size, with a GDP of about SAR 2.625 billion Saudi as of 2020G. The Kingdom has an economy that includes a large oil sector that accounts for 23.3% of GDP and a non-oil sector that accounts for 76.7% thereof.

Although the oil and gas sector represents a large portion of the Kingdom’s economy (more than 20% by 2025G according (Oxford Economics www.oxfordeconomics.com)), the Kingdom has reduced its dependence on oil and gas revenues (about less than 2% between 2016G and 2019G), within the framework of the economic reform plan launched by the Saudi government under the name of the Kingdom’s Vision 2030, which aims to develop non-oil sectors and increase their contribution to the Saudi economy. Sectors that will be expanded under this diversification plan include tourism, trade and financial services. According to the Company’s market data, GDP for non-oil sectors increased from SAR 1.841 billion in 2015G to about SAR 1.928 billion in 2020G.

OVERVIEW OF THE REAL ESTATE SECTOR IN THE KINGDOM

The participation of the private sector in the development of affordable housing is one of the main objectives of the housing program in Vision 2030, which aims to achieve the following: (1) increasing the supply of housing by regulating population density and redeveloping city centers with the aim of promoting land use efficiency, and allowing private sector developers to build on government land allocated for affordable housing; (2) enabling demand by attracting beneficiaries to the program, by providing them with affordable housing, and stimulating institutional housing programs to help beneficiaries working in the public sector; and (3) organizing the housing sector by regulating the real estate sector through enabling and regulating off-plan sales, regulating the process of joint ownership of real estate, and simplifying the process of obtaining multiple development permits by actuating the real estate developers’ service center (Etmam) to help save time and money.

Economic reform plans are focused on the real estate sector to diversify the economy, as both the public and private sectors are encouraged to play a role in ensuring the growth of the real estate market. The housing sector is one of the largest areas of spending in the National Transformation Program, with an allocated budget of SAR 59 billion over five years.

Moreover, government regulations have been drafted to stimulate the real estate market by facilitating the process for both real estate developers and buyers. These initiatives are important changes to achieve the goals of Vision 2030, as issues related to real estate represent an important aspect thereof. Refer to Section 3 (“**MARKET OVERVIEW**”) for more details on these initiatives.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set out below should be read in conjunction with the Company's consolidated audited financial statements for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 30 September 2021G, and notes thereto, which were prepared in accordance with IFRS-KSA and other SOCPA-endorsed standards and pronouncements.

Such consolidated audited financial statements and notes thereto are each included in Section 20 ("**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORTS**") of this Prospectus.

The financial information for the financial year ended 31 December 2018G was extracted from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2019G. The financial information for the financial year ended 31 December 2019G was extracted from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2020G, and the period ended 30 September 2021G.

SAR (in thousands)	FY18G	FY19G	FY20G	Period ended 30 September 2021G
Statement of Profit or Loss Data				
Revenue	209,010	456,536	587,451	613,347
Cost of revenue	(178,368)	(379,134)	(463,142)	(468,241)
Gross profit	**30,642**	**77,402**	**124,308**	**145,107**
General and administration expenses	(20,969)	(23,215)	(26,432)	(28,845)
Selling and distribution expenses	(4,388)	(6,317)	(7,702)	(11,331)
Operating profit	**5,285**	**47,870**	**90,175**	**104,930**
Finance cost	(7,088)	(4,961)	(1,924)	(1,873)
Dividends from investments at fair value through the profit and loss statement	4,666	1,122	-	-
Share in the results of an associate company	(990)	(3,064)	12,827	3,815
Profit from the sale of investments at fair value through the profit and loss statement	-	22,462	374	0
Other revenue, net	4,178	894	1,892	3,917
Profit for the period before Zakat	**6,050**	**64,323**	**103,344**	**110,788**
Zakat charge	(3,311)	(4,630)	(4,711)	(5,937)
Income from continuing operations				**104,851**
Profit on sale of a subsidiary, net of Zakat				14,961
Net profit for the period	**2,739**	**59,692**	**98,634**	**119,813**
Change in fair value of equity instruments at fair value through other comprehensive income	(2,774)			
Change in recognized fair value of equity instruments at fair value through other comprehensive income	(1,717)	(1,031)		
Re-measurement of associate company defined benefit liability	-	-	20	-
Re-measurement of employee defined benefit liability	(1,020)	(570)	(1,034)	-
Comprehensive income for the period	**(2,773)**	**58,091**	**97,619**	**119,813**

SAR (in thousands)	FY18G	FY19G	FY20G	Period ended 30 September 2021G
Statement of Financial Position Data				
Total current assets	298,266	319,961	607,655	949,735
Total noncurrent assets	222,065	355,797	561,944	629,509
Assets held for sale	-	-	-	-
Total assets	**520,331**	**675,757**	**1,169,599**	**1,579,244**
Total current liabilities	261,535	307,558	573,592	901,842
Total noncurrent liabilities	128,587	22,032	77,221	113,554
Total liabilities	**390,122**	**329,590**	**650,813**	**1,015,396**
Total equity	130,210	346,167	518,786	563,686
Total liabilities and equity	**520,331**	**675,757**	**1,169,599**	**1,579,244**
Statement of Cash Flow Data				
Net inflows from operating activities	(38,007)	(106,284)	12,907	354,635
Net inflows used in investing activities	49,127	42,820	(171,146)	(122.909)
Net inflows used in financing activities	71,511	(11,954)	213,582	39,571
Key Financial and Performance Indicators				
Total sales / (unconsolidated) at the end of the period	250,909	593,239	881,798	982,351
Total sales / (consolidated) at the end of the period	**209,010**	**456,536**	**587,451**	**613,347**
Total sold units	224	570	2,010	546
Total leased units at the end of the period	22	31	31	35
Gross profit margin (1)	14.7%	17.0%	21.2%	23.7%
Operating margin (2)	2.5%	10.5%	15.4%	17.1%
Profit margin for the period (3)	1.3%	13.1%	16.8%	19.5%
Return on equity (4)	2.1%	25.1%	22.8%	29.5%
Return on assets (5)	0.6%	10.0%	10.7%	11.6%

Source: Financial Statements for the financial years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G, and the audited preliminary financial statements for the period ended 30 September 2021G.

(1) Gross profit margin is defined as gross profit divided by revenue, expressed as a percentage.

(2) Operating margin is defined as operating profit divided by revenue, expressed as a percentage.

(3) Profit margin for the period is defined as net profit divided by revenue, expressed as a percentage.

(4) Return on equity is calculated as follows: profit for the year / total equity book value for the year.

(5) Return on assets is calculated as follows: profit for the year / total asset book value for the year.

(6) Return on total equity and return on assets for the period ended 30 September 2021G were calculated based on annual return.

SUMMARY OF RISK FACTORS

Before considering an investment in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risks stated below and which are described in detail in Section 2 ("**RISK FACTORS**").

A- Risks Related to the Company's Activity and Operations

1- Risks associated with an increased revenue concentration on contracts related to the MoMRAH
2- Risks related to the impact of the demand for residential and commercial properties in the Kingdom of Saudi Arabia on the Company's business
3- Risks associated with the development of the Company's projects
4- Risks relating to the Company's off-plan sales model
5- Risks related to the availability of financing to customers
6- The impact of the highly competitive industry in which the Company operates
7- Risks related to the impact of increasing operating expenses on the Company's business
8- Risks associated with the Company's dependence upon Related Party Transactions
9- Risks associated with the Company's Related Party Transactions
10- Risks related to the necessary permits, licenses and approvals for the Company's business
11- Risks associated with the Company's joint ventures
12- Risks associated with the Company's use of third party contractors and suppliers
13- Risks relating to the Company's customers defaulting on their purchase price payments
14- Risks associated with Company's material contracts, including under its development agreements
15- Risks related to protecting certain trademarks on which the Company relies
16- Risks relating to the outbreak of an infectious disease or other serious public health concerns, including the continuing global spread of COVID-19
17- Risks related to the Company's reliance on its senior management and key personnel
18- Risks associated with requirements of foreign employees and Labor Law
19- Risks related to future financing
20- Risks associated with the Company's current debt arrangements
21- The Company's implementation of a newly adopted Corporate Governance Manual
22- Management's insufficient experience in managing a publicly listed company
23- Risks associated with interruptions in the Company's IT network or cloud systems
24- Risks related to the adequacy of insurance coverage
25- Risks associated with litigation involving the Company
26- Risks associated with negative changes in interest rates
27- Risks related to the some members of the Board of Directors carrying out business that competes with that of the Company
28- Risks related to the Companies Law
29- Risks related to the calculation method of the construction contracts revenue, being recognized as a percentage of completion

B- Risks Relating to the Company's Properties

1- Risks related to real estate valuation
2- Risks related to the illiquidity of real estate investments
3- Risks associated with ownership and title disputes relating to the Company's Properties

C- Risks Relating to the Market, Industry and Regulatory Environment

1- The impact of political and economic risks on the Company's operations
2- Compliance by the Company with Saudization and other Labor Law Requirements
3- Risks related to the changes in laws and government policies in Saudi Arabia, and/or changes in their application to the Company, on the Company's business
4- Risks relating to environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds
5- Risks associated with Zakat, VAT and Real Estate Transaction Tax
6- Risks related to change in the calculation mechanism of Zakat and income tax
7- Risks related to White Land fees

D- Risks Related to the Offer Shares

1- Risks related to actual control by the Substantial Shareholders post-offering
2- Risks related to the absence of a prior market for the Shares
3- Risks related to the sale of a large number of Company shares post-offering
4- Risks related to fluctuation in the market price of the Shares
5- Risks relating to the Company's ability to distribute dividends
6- Risks related to foreign exchange when investing in the Offer Shares
7- Risks related to the issuance of new shares on the Exchange post-offering
8- Risks related to stock price fluctuations on the Exchange

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1. DEFINITIONS AND ABBREVIATIONS

Term	Definition
Advisors	The Company's advisors in relation to the Offering, whose names appear on pages "vi" and "vii" of this Prospectus.
Audit Committee	The Company's audit committee.
Board of Directors or Board	The Company's board of directors.
Board Committees or Committees	The Audit Committee, the Nomination and Remuneration Committee and the Executive Committee.
Book-Building Instructions	Instructions on Book-Building and Allocation Method in Initial Public Offerings (IPOs) issued by the Board of the CMA pursuant to resolution number 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G) as amended by CMA resolution number 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
Book-Building Subscription Order	Bid or subscription orders submitted telephonically or electronically to the Bookrunner without the need to complete and sign a Participating Parties Subscription Form in accordance with the instructions set out in Section 18 ("**SUBSCRIPTION TERMS AND CONDITIONS**").
Book-Building Period	The period during which Participating Parties may submit Participating Parties Subscription Forms, as specified in ("**KEY DATES AND SUBSCRIPTION PROCEDURES**") on page xiv.
Bookrunner	SNB Capital Company.
Business Day	Any business day for Receiving Agents in Saudi Arabia (with the exception of Fridays, Saturdays and official holidays).
Bylaws	The Bylaws of the Company as summarized in Section 12.14 ("**Summary of the Bylaws**").
Capital Market Institution	A person authorized by the CMA to carry out securities business.
Capital Market Law	The Capital Market Law issued by Royal Decree Number M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
CEO	The Company's chief executive officer.
CFO	The Company's chief financial officer.
Chairman	The Chairman of the Board of Directors.
CMA	The Capital Market Authority in Saudi Arabia, including, as the text permits, any committee, subcommittee, employee or agent authorized to carry out CMA functions.
Company	Retal Urban Development Company.
Companies Law	The Companies Law, issued under Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G), as amended.
Corporate Governance Manual	The Company's corporate governance manual, including the Committees' charters, as approved by the Board on 13/09/1442H (corresponding to 25/04/2021G) and ratified by the Extraordinary General Assembly on 22/12/1442H (corresponding to 01/08/2021G).
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) as amended by Resolution No 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Council of Ministers	The Council of Ministers in the Kingdom of Saudi Arabia.
Current Shareholders	Company Shareholders whose names and shareholding percentages are shown in Table 5-1 ("**Direct Ownership in the Company pre and post Offering**").
Dammam Metropolitan Area	The areas comprised of Al-Khobar, Dhahran and Dammam.
Directors or Board Members	Members of the Company's Board of Directors appointed by the General Assembly whose names appear in Section 5 ("**ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE**") of this Prospectus.
Executive Committee	The Board of Directors' executive committee.
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the Bylaws.

Term	Definition
Financial Advisor	SNB Capital Company.
Financial Institutions	Banks and financial services companies.
Foreign Financial Institutions	Foreign financial institutions qualified to trade in shares of Saudi companies in accordance with the rules regulating the investment of qualified foreign financial institutions in listed securities as issued by the CMA.
Financial Statements or Audited Financial Statements	Audited consolidated financial statements for FY18G, FY19G and FY20G prepared in accordance with IFRS-KSA as adopted by SOCPA.
Foreign Investors	Non-GCC individuals living outside the Kingdom and non-GCC institutions registered outside the Kingdom who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into Swap Agreements with Capital Market Institutions.
Foreign Strategic Investor	A foreign legal entity aiming to acquire a strategic interest in listed companies in accordance with the FSI Instructions. "**Strategic interest**" means the direct ownership percentage in the listed company's shares, through which the owner aims to contribute to enhancing the financial or operating performance of the listed company.
FY18G	The period commencing 01/01/2018G and ended 31/12/2018G.
FY19G	The period commencing 01/01/2019G and ended 31/12/2019G.
FY20G	The period commencing 01/01/2020G and ended 31/12/2020G.
G	Gregorian
GAC	The General Authority for Competition of Saudi Arabia, the Kingdom's regulator of the Competition Law and its implementing regulations in the Kingdom.
GCC	Gulf Cooperation Council.
GCC Corporate Investor	Any company in which the majority of its share capital is owned by nationals of GCC countries or governments having the nationality of a GCC country in accordance with the definition contained in the Resolution of the Supreme Council of the Gulf Cooperation Council issued at its fifteenth session and approved by Council of Ministers Resolution No. 16 dated 20/01/1418H, as well as GCC funds established in one of the GCC countries whose units are offered in a public offering to investors from those countries in which the majority of the fund's capital is owned by citizens of the GCC countries or their governments.
GDP	The most comprehensive quantitative measure of total economic activity in a country, representing the monetary value of all goods and services produced within the country's geographical borders over a certain period of time.
Generally Accepted Accounting Standards in the Kingdom	The generally accepted accounting standards in the Kingdom and the standards and statements approved by SOCPA.
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly. "**General Assembly**" shall mean any Company general assembly.
GOSI	The Saudi General Organization for Social Insurance.
Government, Saudi Government	Government of Saudi Arabia, with "**Governmental**" interpreted accordingly.
Group	The Company and its Subsidiaries.
H	Hijri
Head Office	The office housing the Company's executive management and management staff, located in Retal Tower, 8800 King Faisal Street, Al Rawabi District, Al-Khobar 31952, P.O. Box 1448.
IFRS	The International Financial Reporting Standards issued by the International Accounting Standards Board.
IFRS-KSA	IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA, comprising IFRS with additional requirements and disclosures added by SOCPA and other standards and pronouncements that are endorsed by SOCPA, which include standards and technical releases relating to matters not covered by IFRS, such as the subject of Zakat.

Term	Definition
Individual Investors	Saudi natural persons, including Saudi female divorcees or widows with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Capital Market Institution and are entitled to open investment accounts therewith.
Instructions for Foreign Strategic Investors	Instructions regulating foreign strategic investor ownership of strategic stakes in listed companies as issued by the Board of Directors of the Capital Market pursuant to Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G), as amended.
ISO	International Organization of Standardization.
Investment Funds Regulations	The Investment Funds Regulations issued by the CMA Board pursuant to Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Investors	Participating Parties and Retail Subscribers.
Issuer	Retal Urban Development Company.
KSA, the Kingdom, Saudi Arabia or Saudi	The Kingdom of Saudi Arabia.
Labor Law	The Saudi Labor Law issued under Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), as amended.
Lead Manager	SNB Capital Company.
Listing	Listing of all the Shares on the Saudi Stock Exchange in accordance with the Listing Rules.
Listing Rules	The Listing Rules of Tadawul issued by the board of the CMA pursuant to resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended pursuant to resolution number 1-104-2019 dated 1/2/1441H (corresponding 30/09/2019G), as amended pursuant to resolution number 1-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Lock-up Period	The six-month period during which the Substantial Shareholder listed on page "x" hereof may not dispose of any of their Shares for a period of six months starting from the commencement of trading of the Shares on the Exchange. Following the Lock-up Period, Substantial Shareholders are free to dispose of their Shares without Obtaining the CMA's prior approval. The Company is also prohibited from listing shares of the same class as the listed Shares for a period of six months from the date of the start of trading in the Shares.
Management	The executive directors and Senior Executives of the Company.
Market Study	Market study prepared by the Market Research Consultant regarding the real estate sector in the Kingdom in June 2021G.
Market Research Consultant	Knight Frank.
MHRSD	The Ministry of Human Resources and Social Development in Saudi Arabia.
MoC	The Ministry of Commerce in Saudi Arabia.
MOMRAH	The Ministry of Municipal, Rural Affairs and Housing.
National Transformation Program	Program developed to help achieve the goals of Saudi Arabia's "**Vision 2030**" and identify the challenges faced by government agencies in the economic and development sectors.
Nomination and Remuneration Committee	The nomination and remuneration committee of the Board of Directors.
Offering	The initial public offering of twelve million (12,000,000) ordinary shares with a nominal value of ten (SAR 10) Saudi Riyals per share, paid in full, representing 30% of the Company's capital, at an Offer Price of [SAR •] Saudi Riyals per share.
Offer Shares	Twelve million (12,000,000) ordinary Shares representing 30% of the Company's capital.
Offering Period	Starting from Sunday 06/11/1443H (corresponding to 05/06/2022G) and ending on Monday 07/11/1443H (corresponding to 06/06/2022G).
Offer Price	SAR [•] per Share.

Term	Definition
Offering Proceeds	Total value of subscribed shares.
Official Gazette	Um Al Qura, the official gazette of the Government of Saudi Arabia.
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the Bylaws.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA board pursuant to its resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27/12/2017G), as amended by resolution number 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Participating Classes	Parties participating in the book-building process.
Participating Classes Application Form	Application form used by the Participating Classes to apply for the Offer Shares during the Book-Building period. This term includes (as the case may be) the supplementary application form when the price range is changed.
Participating Parties	Means: a- public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-Building Instructions; b- persons authorized by the CMA to deal in securities as principals, in compliance with the provisions set forth in the Prudential Rules; c- clients of a person authorized by the CMA to conduct management services in accordance with the provisions and restrictions set forth in the Book-Building Instructions; d- legal persons allowed to open an investment account in the Kingdom and an account with the Depository Center with the exception of non-resident foreign investors, other than Qualified Foreign Investors as per the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, in compliance with the CMA Circular No. 6/05158, dated 11/08/1435H (corresponding to 09/06/2014G), issued pursuant to the CMA Board Resolution No. 9-28-2014, dated 20/7/1435H (corresponding to 19/05/2014G), as amended; e- Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Depository Center; f- companies owned by the Government, directly or through a portfolio manager; and g- GCC companies and GCC funds if the terms and conditions of the fund permit it.
Period ended 30 September 2021G	Period commencing on 01/01/2021G and ending on 30/09/2021G.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board Resolution No. 1-40-2012, dated 17/2/1434H (corresponding to 20/12/2012G), as amended.
Public	Persons other than the following: a- affiliates of the Issuer; b- Substantial Shareholders of the Issuer; c- Directors and Senior Executives of the Issuer; d- Directors and Senior Executives of the affiliates of the Issuer; e- Directors and Senior Executives of the Substantial Shareholders of the Issuer; f- any relative of persons described at (a), (b), (c), (d) or (e) above; g- any company controlled by any persons described at (a), (b), (c), (d), (e) or (f) above; and h- persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A foreign investor that has been qualified in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities to invest in listed securities. Qualification Application shall be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities.

Term	Definition
Real Estate Transaction Tax	Fee imposed on the disposition of real estate, which includes any legal transfer of ownership or possession of real estate for the purpose of gaining usufruct rights thereto, including without limitation, usufruct right transfer contracts and long-term lease contracts, including: sale, netting, donations, bequeaths, barter, lease, financial lease, transfer of stakes in real estate companies, or granting usufruct rights for more than 50 years. Royal Order No. A/84 dated 24/02/1442H exempts real estate transfers of ownership or disposition thereof by owners from value added tax, with the imposition of a Real Estate Transaction Tax on sales and similar transactions equal to 5% of the property value. The tax came into effect on 17/02/1442H (corresponding to 04/10/2020G).
Relatives	A "**relative**" includes the husband, wife and minor children. For purposes of the Corporate Governance Regulations a "**relative**" includes any of the following: a- fathers, mothers, grandfathers, grandmothers and ancestors thereof; b- children, grandchildren and descendants thereof; c- brothers, sisters and half-siblings; and d- husbands and wives.
Receiving Agents	The Receiving Agents whose names are stated on Page viii.
Related Party Transactions	Transactions entered into between the Company and its Related Parties as set out in Section 12.8 ("**Transactions and Contracts with Related Parties**").
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the CMA's Board pursuant to Resolution No. 1-42-2015 dated 15/07/1437H (corresponding to 04/05/2015G) as amended by CMA Board Resolution No. 13-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).
Party or Related Party(ies)	In this Prospectus and pursuant to the Glossary of defined terms used in the regulations and rules of the CMA issued pursuant to the CMA Board Resolution No. 4-11-2004, dated 20/8/1425H (corresponding to 4/10/2004G), as amended pursuant to the CMA Board Resolution No. 2-22-2021, dated 12/7/1442H (corresponding to 24/2/2021G), a "**Related Party**" includes any of the following: a- affiliates of the Issuer; b- Substantial Shareholders of the Issuer; c- Directors and Senior Executives of the Issuer; d- Directors and senior executives of an affiliate of the Company; e- Directors and Senior Executives of Substantial Shareholders of the Issuer; f- any relatives of persons described at (1), (2), (3), (4) or 5 above; g- any company controlled by any person described at (1), (2), (3), (4), (5) or 6 above. In (g), "**control**" means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate: (i) holding 30% or more of the voting rights in a company; or (ii) having the right to appoint 30% of more of the members of the governing body, and a "**controller**" shall be construed accordingly.
Retail Subscription Form	The retail subscription application form to be completed by Individual Investors in order to subscribe for the Offer Shares during the Retail Offering Period.
Saudization	Saudization requirements applicable in the Kingdom in relation to the labor market.
Saudization Rate	The percentage of employees within any workforce who are deemed to count towards the level of Saudization within the workforce of any company, including Saudi nationals and persons married to Saudi nationals, with certain categories of persons, such as disabled Saudi national employees, given greater weighting when counted towards the Saudization level.
Saudi Riyal(s) or SAR	Saudi Arabian Riyal(s), the official and legal currency of Saudi Arabia.
Secretary	The secretary of the Board of Directors.
Selling Shareholders	Shareholders whose names and shareholding percentages are shown in Table 5-1 ("**Direct Ownership in the Company pre and post Offering**") and who will sell some of their shares in the Offering.
Senior Executives or Senior Management	Members of the Company's senior management whose names are set out in Table 5-6 ("**Senior Management Details**").
Shares	Any fully paid ordinary share of the Company with a nominal value of SAR 10 per share in the capital of the Company as issued thereby from time to time.
Shareholder(s)	Any holder of shares in the Company.

Term	Definition
SOCPA	Saudi Organization for Certified Public Accountants.
Subscriber(s)	Any Participating Party and Individual Investor.
Subscription Form	The Subscription Form that Individual Investors and Participating Parties (as the case may be) use to apply for Offer Shares.
Subscription Form for Participating Parties	The form used by Participating Parties to subscribe for the Offer Shares during the Book-Building period. This term includes, when applicable, the supplementary bid form when the price range is changed.
Subsidiaries	The Company's subsidiaries, which are as follows: • Tadbeir Limited Company • Tadbeir Real Estate Company. • Nesaj Urban Development Company. • Building Construction Limited Company. • Remal AlKhobar Real Estate Company. • Etlalat AlSharq Real Estate Company.
Substantial Shareholder(s)	Any person holding 5% or more of the Issuer's shares.
Tadawul, Saudi Exchange or Exchange	The Saudi Exchange.
SWAP Agreements	Type of agreement through which foreign investors, individual non-Saudis residing outside the Kingdom and registered institutions outside the Kingdom, agree to invest indirectly to acquire the economic benefits of shares by entering into swap agreements with a Capital Market Institution licensed by the CMA.
Underwriter	SNB Capital Company.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
VAT	Value Added Tax, also known as Goods and Services Tax, which came into force on 01/01/2018G in accordance with the Unified Agreement on Value Added Tax for the Cooperation Council for the Arab States of the Gulf. The Ministry of Finance has also announced an additional increase in value-added tax to 15% as of July 2020G.
Vision 2030	The National Strategic Economic Program, which aims to reduce dependence on the oil and petrochemical industry, diversify the Saudi economy and develop public services, as announced by the Saudi government in 2016G.
Zakat Certificate	Zakat certificates issued by the Zakat, Tax and Customs Authority.
ZATCA	The Zakat, Tax and Customs Authority, formerly known as the General Authority of Zakat and Tax.

2. RISK FACTORS

Before deciding whether to invest in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risk factors described below. These risk factors may not include all the risks that the Company may encounter, and additional risks may exist that are not currently known by the Company, or that may be deemed immaterial but may nevertheless affect the Company's operations.

The Company's business, financial position, results of operations and prospects could be adversely and materially affected if any of the following risks, which are identified as material, or if any other risks that the Directors have not identified or are currently considered not to be material, actually occur or become material. As a result of such risks or other factors that may affect the Company, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company and/or the Directors expect, or at all. Investors should consider all forward-looking statements in this Prospectus in light of these explanations and should not place any reliance on forward-looking statements (see "**FORECASTS AND FORWARD-LOOKING DATA**" on page [iii], Section 11 ("**DECLARATIONS**") and Section 16 ("**COMPANY'S POST-LISTING UNDERTAKINGS**").

The Directors also confirm that, to the best of their knowledge and belief, there are no other material risks besides those mentioned in this section, the non-disclosure of which would affect investors' decisions to invest in any Offer Shares as of the date of this Prospectus.

An investment in the Offer Shares is only appropriate for investors who are capable of assessing the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from this investment. Any prospective investor who has any doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice in connection with any investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance or anticipated effect on the Company. Additional unknown risks and uncertainties or those deemed immaterial now by the Company may have the impact or consequences described in this Prospectus. The risks set out in this Section 2 ("**RISK FACTORS**") do not purport to be: (a) a complete list of all risks which may affect the Company or in any case its operations, activities, assets or markets in which it operates; and/or (b) an explanation of all the risks involved in investing in the Offer Shares.

2.1 Risks Related to the Company's Activity and Operations

2.1.1 Risks associated with an increased revenue concentration on contracts related to the MoMRAH

The MoMRAH established the Sakani Program in 2017G, which provides many diverse housing solutions that enable citizens registered with the MoMRAH to choose the type of housing suitable for them through easy and simple steps, and the program aims to raise the percentage of citizens' ownership and improve the beneficiary's experience of owning their first home, in addition to providing housing and financing solutions that meet the needs of citizens. The MoMRAH also established the Wafi Program in 2017G, which aims to regulate the activity of selling and renting real estate units, whatever their purpose or method of development, before or during the development or construction phase. The Program obliges real estate developers to implement under a time plan for each project as per approved models and specifications. Most of the projects under these programs consist of housing units available for tender by all licensed real estate developers in the Kingdom of Saudi Arabia.

The Company seized an opportunity based on current levels of home ownership and residential units estimated to be delivered through these two programs each year. Since their establishment in 2017G, the Company has used them as a sales outlet, with the Company also selling residential projects, for example, Nesaj Town 1 and Nesaj Town 2, which led to an increased concentration of revenue in contracts related to the MoMRAH. The Company also has a strategy to diversify revenues with other projects not related to the MoMRAH.

Revenues from contracts related to the MoMRAH and the NHC in the ended fiscal years amounted to 29%, 53%, 65% and 89.1%, respectively, as in the years ended 31 December 2018G, 2019G, 2020G and the period ended 30 September 2021G. There is no guarantee that the Company will obtain new development contracts from the MoMRAH, and there is no guarantee of the continuity of the programs provided by the MoMRAH that support housing for citizens of the Kingdom of Saudi Arabia. Any negative change in these programs will affect demand for provided housing units, which will have a negative or material impact on the Company's business, financial position, results of operations and prospects.

2.1.2 The impact of the demand for residential and commercial properties in the Kingdom of Saudi Arabia on the Company's business

The entirety of the Company's property portfolio is located in the Kingdom of Saudi Arabia. As an increasing number of real estate developments are launched and reach completion, the number of residential properties and commercial space available in the Kingdom may exceed the demand for such properties and space, leading to saturation. If the property market in the Kingdom were to become saturated, or demand for residential and commercial properties in the Kingdom were to decline or to be lower than expected, the Company could have to sell its residential units or lease its commercial units at reduced prices, or at a loss, or may not be able to sell them at all. Fluctuations in economic factors beyond the Company's control, such as the availability of credit for housing, prevailing interest rates, unemployment rates, salary levels and tax rates, cost of utilities, or partial or full removal of subsidies provided by the Saudi Arabian government, may also affect demand for residential and commercial units sold by the Company.

In addition, a small portion of the Company's customers purchase properties as investments, generally with a view to selling them for profit or leasing them for rental income. Any perceived or actual oversupply of residential properties in the Kingdom for sale may result in potential customers experiencing difficulty selling properties purchased from the Company, either for an expected profit or at all. This could result in a decrease in demand for the Company's properties from customers who expect to receive revenue from the part- or full-time rental of their properties.

There can be no assurance that the Company's sales backlog will be realized or that there is sufficient demand in the real estate market in Saudi Arabia to absorb all of the residential and commercial units that the Company will deliver at the prices anticipated by the Company or at all.

As the Company's revenue is derived almost entirely from the sale of residential units and the leasing of commercial space in the Kingdom, any adverse change in the demand for the reasons set out above or otherwise could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

2.1.3 Risks associated with the development of the Company's projects

There are a number of construction, financing, operating and other risks associated with property development. Due to their extensive nature, the Company's projects require considerable capital expenditure during the initial phases of development. The Company recognizes revenue from its ongoing projects according to the percentage completion of the construction process. In turn, material delays in the construction process will delay the revenue the Company is able to recognize. Delays can have a significant impact on the associated timing of revenue recognition, which could lead to potentially significant fluctuations in financial results. This is particularly true with respect to high value projects where even a small delay in construction progress can result in delays in large amounts of revenue from being recognized.

The time taken and the costs involved to complete construction can be adversely affected by many factors, including:

- delays in obtaining all, or refusals of any, necessary zoning, land use, building, development, occupancy and other required governmental permits, requisite licenses, permits, approvals and authorizations (including due to new regulatory frameworks);
- unforeseen engineering, environmental or geological problems;
- the Company's inability to obtain necessary financing arrangements on acceptable terms, or at all, and otherwise fund construction and capital improvements and provide any necessary future performance guarantees that may be required during the construction process;
- defaults by, or the bankruptcy or insolvency of, main contractors and other counterparties;
- inadequate supporting infrastructure, including as a result of failure by third parties to provide utilities and transportation and other links that are necessary or desirable for the successful operation of a project;
- design or construction defects and otherwise failing to complete projects according to design specification;
- shortages of, or defective, materials and/or equipment, labor shortages, shortages of other necessary supplies and/or disputes with contractors or sub-contractors;
- availability of suitable land for the Company's projects;
- increases in the cost of construction materials (for example, raw materials such as steel and other commodities common in the construction industry), energy, building equipment (including, in particular, cranes), labor and/or other necessary supplies (due to rising commodity prices or inflation or otherwise);

- shortages of project managers, contractors and construction specialists, both internally and externally, to ensure that planned projects are delivered both on time and on budget;
- strikes and work stoppages or other labor disputes or disturbances affecting the Company's projects, contractors, sub-contractors or suppliers;
- the failure of contractors to meet agreed timetables, in particular with respect to more complex or technically challenging developments (for example, due to the scale, height or complex design of a development);
- adverse weather conditions, natural disasters, accidents, force majeure events and/or changes in governmental priorities;
- increases in the supply of properties from competitors during the construction of certain projects; and
- changes in demand trends due to, among other things, a shift in buyer preferences, a downturn in the economy, a change in the surrounding environment of the project, including the location or operation of transportation hubs or population density or otherwise.

Any of these factors could give rise to delays in the completion of construction and/or result in construction costs exceeding budgeted amounts. Projects subject to delays or cost overruns may take longer or fail to generate the revenue, cash flow and profit margins that were originally anticipated. In addition, the targeted return on the investment in the project may not be realized. There can be no assurance that the revenue that the Company is able to generate from its projects will be sufficient to cover the associated construction costs. The occurrence of any of the foregoing factors could have a material adverse effect on the Company's business, results of operations, financial condition, and prospects.

2.1.4 Risks relating to the Company's off-plan sales model

For FY2018G, FY2019G, FY2020G and the period ended 30 September 2021G, respectively, the Company's business model resulted in sales equivalent to 29%, 53%, 65% and 91% of its residential units "**off-plan**" or in the early stages of construction. The completion of a given project is dependent on a number of factors, including macroeconomic conditions, timely delivery on the part of the Company's contractors, sub-contractors and the absence of any force majeure. If a project with pre-sale commitments from customers is delayed or cancelled, customers may bring civil claims against the Company, even where customers have no contractual right to terminate their contract with the Company and/or to demand repayment of monies paid, if the Company fails to deliver a residential unit sold.

In addition, the partnership agreements entered into by the Company and MoMRAH for the Nesaj Town Al-Khobar project and the Ayala Al-Nakheel project provide that in the event the off-plan sale payments received are insufficient to enable the Company to complete the development of the relevant project, the Company would be obliged to take all necessary steps to complete the project before the Works Completion Date.

In addition, approximately 20 percent (20%) of the Company's residential projects comprise integrated lifestyle master plan communities, which combine residential and commercial units with retail, hospitality and leisure attractions. If substantial parts of these amenities are delayed, cancelled or changed, customers who have acquired residential units may not be able to enjoy the services or the overall environment which they may have expected when the project was originally launched. Delays in completion or cancellation of all or a portion of a project could also adversely affect the Company's reputation and ability to attract future customers.

Any of the foregoing factors could have a material adverse effect on the Company's business, results of operations, financial condition, and prospects.

2.1.5 Risks related to the availability of financing to customers

The ability of customers to source financing for the purchase cost of residential units is contingent on numerous factors including general economic and market conditions, interest rates, inflation, credit availability from banks or other lenders and willingness of banks or other lenders to lend to particular customers. In particular, a significant portion of the financing of the purchase cost for the Company's affordable residential units is subsidized by the MoMRAH, in which interest free mortgage loans are offered to help fund the purchase of residential units by customers. However, there can be no assurance that such financing will continue at such levels or at all in the future, whether in the short-term or over the longer-term. Any future inability by customers to obtain the requisite financing on terms favorable to help fund the purchase of the Company's residential units would, in turn, lead to reduced demand for the Company's residential units. This would, in turn, have a material adverse effect on the Company's business, results of operations, financial position, and prospects.

2.1.6 The impact of the highly competitive industry in which the Company operates

The real estate industry in Saudi Arabia, and in particular the development of residential and commercial real estate projects in the Kingdom, is highly competitive, and the Company expects such competition to increase and intensify in the future. The Company faces competition from domestic developers of real estate projects, in the areas where the Company currently operates and where it may develop new projects in the future. Competition may affect the Company's ability to sell its residential units at expected prices, if at all. The Company's competitors may lower their pricing for comparable developments, which could result in downward pricing pressure. In addition, the Saudi government could decide to support new entrants or other property development companies to implement its general development strategy, which would further increase competition. The Company also faces the risk that competitors may anticipate and capitalize on certain potential investment opportunities in advance of the Company doing so. Increased competition may also increase the Company's costs of financing, materials, and sub-contractors. Certain of the Company's competitors may have greater financial, technical, marketing or other resources, including with respect to the size and quality of their land, and, therefore, may be able to withstand increased costs, price competition and volatility more successfully. Any oversupply or competition in the Company's market could have a material adverse impact on its business, results of operations and financial condition.

As the property development market in the Kingdom is currently fragmented, property developers may also consolidate to achieve economies of scale. If consolidation in the Saudi real estate market were to occur, there is a risk that the Company would have to operate in a more competitive market place and against larger competitors than it has had historically. The Company may not be able to effectively compete with present and future competitors. Changes in the competitive environment could cause a reduction in its margins and cause the Company to lose or reduce market share, and this, in turn, would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.7 The impact of increasing operating expenses on the Company's business

The Company's operating expenditure could increase as a result of a number of factors (for more information about the financial and operational performance of the Company, see Section 6 ("**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**")), including, but not limited to, an increase in the cost of contractors, the cost of raw materials used in the construction industry, commodity prices, the costs of outsourcing services to service providers, labor costs, fuel and utility costs, repair and maintenance costs, insurance premiums and costs related to the increase of rents of office space or showrooms leased by the Company. The price of fuel and utilities has increased significantly in recent years. In addition, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure (see Risk Factor 2.3.2 ("**Compliance by the Company with Saudization and other Labor Law Requirements**")). The operating expenses of the Company amounted to 85.3%, 83.0%, 78.8% and 76.3% of the Company's total revenues for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 30 September 2021G, respectively. Any increases in the Company's operating costs will also reduce its cash flow, profit margin and funds available for operation of the Company's existing projects and for future expansion. In turn, the Company's business, results of operations, financial condition and prospects would be adversely and materially affected.

2.1.8 Risks associated with the Company's dependence upon Related Party Transactions

A central feature of the Company's business model is its close ongoing business relationships with a variety of related parties, which are a key feature of the Company's business model. In particular, the Company has entered into a number of contracts with related parties for the development of land and for the design and construction of its projects. All contracts entered into between the Company and related parties following the adoption of the Related Party Transactions Policy are subject to the parameters of such policy (For more information please see Section 5.6 ("**Conflict of Interest**")). The Company's future success is dependent upon a number of these related party contracts, the expiry or termination of which would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.9 Risks associated with the Company's Related Party Transactions

The Company maintains ongoing business relationships with several Related Parties. As of the date of this Prospectus, the Company has seventeen (17) current transactions with Related Parties. All of the Company's dealings with Related Parties were approved in the General Assembly meeting dated 22/12/1442H (corresponding to 01/08/2021G), the General Assembly meeting dated 22/03/1443H (corresponding to 28/10/2021G), the General Assembly meeting dated 04/04/1443H (corresponding to 09/11/2021G), and the General Assembly meeting dated 21/06/1443H (corresponding to 24/01/2022G). The amounts due from Related Parties totaled SAR 26,656,026, SAR 10,932,264, SAR 8,146,240, and SAR 5,622,266, representing 5%, 2%, 1%, and 0.35% of total assets the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 30 September 2021G, respectively. Related Party dues totaled SAR 185,510,228, SAR 98,756,661, SAR 123,959,734, and SAR 158,649,782, representing 48%, 30%, 19%, and 15.6% of total liabilities, for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 30 September 2021G, respectively. For a summary of the Company's transaction with Related Parties, see Section 12.8 ("**Transactions and Contracts with Related Parties**").

As of the date of this Prospectus, all Related Party Transactions were on arm's length terms. However, the Company and the Related Parties had previously agreed to conclude a number of contractual conditions that are not on an arm's length basis and without concluding formal contracts for these transactions. The Company had five (5) transactions that were not concluded on an arm's length basis with the following Related Parties: Abdullah bin Faisal bin Abdulaziz Al- Braikan; Abdullatif bin Ali AlFozan; Wasm United Company; Arac and Partners Engineering Consultancy; and AlFozan Holding Company, whereby the Company paid expenses on behalf of Related Parties; provided contracting services; financed Related Parties; and obtained financing from Related Parties. It should also be noted that, the Company previously relied on a revolving credit facility provided by Al Fozan Holding Company for a maximum value of SAR 200,000,000 to finance the Company's liquidity needs to meet the operational requirements and working capital. The Company took all measures to terminate, repay and collect all monies due thereto thereunder. To the extent that the Company enters into contracts with any Related Parties which are not on arm's-length terms and/or in the event such transactions transfer undue benefits to Related Parties of the Company, this could negatively affect the Company's costs and revenues which would, in turn, adversely and materially affect the Company's business, results of operations, financial condition and prospects.

In addition, under Article 71 of the Companies Law those related party agreements in which any Director is deemed to have an interest will need to be approved by the General Assembly. It is also required that any Director and/or shareholder of the Company, who is deemed to have an interest (such as a shareholder who has a representative director on the board), cannot participate in the approval process for such Related Party Transaction(s). Given the scope of the voting restrictions applicable to the General Assembly approvals pursuant to Article 71 of the Companies Law as interpreted by the Company, no current Shareholder would be permitted to vote on the relevant resolutions at the General Assembly.

There is a risk that the Company's Board or the General Assembly of the Company or any of its group companies may not agree on the approval of these contracts in which case the Director who is deemed to be interested in the transaction must resign, or take steps to ensure that he/she is no longer deemed to be interested (for example by terminating the relevant contract or disposing of the rights creating the interest). Due to the Company's significant reliance on such contracts, their termination would have a negative and material impact on the profitability of the Company and consequently on its business, results of operations, financial condition and prospects.

2.1.10 Risks related to permits, licenses and approvals necessary for the Company's business operations

The Company is required to obtain and maintain the necessary regulatory permits, licenses and approvals from relevant government authorities for its business operations and activities. These permits, licenses and approvals include, but are not limited to, MoMRAH licenses, commercial registration certificates for the Company and its Subsidiaries issued by MoC, trading licenses issued by various municipalities, Amana (building) Completion Certificate, civil defense permits, membership certificates with the relevant chambers of commerce, trademark registration certificates, Saudization and GOSI certificates in each case relating to the business operations of the Company and its Subsidiaries. Each approval is dependent on the satisfaction of certain conditions. In particular, Amana (Building) Completion Certificates are required in respect of new projects to indicate whether an asset has been built in accordance with the requirements set out in the relevant building permit. Assets constructed in violation of the conditions or parameters in a building permit may be subject to a range of penalties including fines or, in more extreme cases, closure or demolition. See Section 12.5 ("**Government Consents, Licenses and Certificates**") for further information.

As of the date hereof, Tadbeir branches have not obtained three permits from MoMRAH and the Civil Defense. Additionally, Remal Al Khobar Real Estate Company has not obtained a license from the Chamber of Commerce. There can be no assurance that the Company will not encounter problems in obtaining these licenses, permits or other government approvals, or in fulfilling the conditions required for obtaining these licenses, permits or other approvals, or that it will be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of approvals.

Most of the Company's existing licenses are subject to conditions under which they might be suspended or terminated if the Company fails to fulfil and abide by the underlying conditions. Moreover, when seeking to renew or amend the scope of a license, there is no guarantee that the concerned authority will renew or amend the license or that, if it does renew the license, no conditions will be imposed which might adversely affect the Company's performance.

If the Company or any of its Subsidiaries do not obtain or renew a license necessary for its operations, or if any of its licenses expire or are suspended, renewed under unfavorable conditions to the Company, or if the Company is unable to obtain additional licenses required in the future, the Company will be required to cease carrying on its business totally or partially or will be subject to fines issued by the relevant governmental authorities. This would interrupt or delay the Company's operations and cause the Company to incur additional costs, and would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.11 Risks associated with the Company's joint ventures

The Company is subject to risks associated with its joint venture, with the Company, Mimar Engineering Group and Arac Engineering Consultancy Office previously establishing Mimar Emirates and Arac Engineering Consultancy on 11/09/1440H (corresponding to 16/04/2016G), to provide engineering design services in the Kingdom. The cooperation and agreement between joint venture partners is necessary to facilitate its operations and ensure the financial success of its business and projects. However, the economic and commercial interests and objectives of the partners in Mimar Emirates and Arac Engineering Consultancy may not be compatible with the objectives of the Company, they may be unable or may not be willing to fulfil their obligations under the relevant joint ventures or other agreements, and they may encounter financial or other difficulties. In the future, disputes may arise between the Company and other partners in the joint venture, which may have a negative impact on the project. Furthermore, the Company may not be able to control the decision-making process of the joint ventures without the cooperation of the Company's joint venture partners, particularly when the Company does not have a majority control of the joint venture. If the joint venture fails or if the Company's joint venture partners seek amendments to the joint venture arrangements, or otherwise pursue actions adverse to the Company's interests, this could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, the Company's ability to expand in the future will continue to depend upon the availability of suitable and willing joint venture partners, including, in particular, those with high quality resources and expertise, the Company's ability to complete the relevant transactions and the availability of financing on commercially acceptable terms. There can be no assurance that the Company will be successful in establishing any future joint ventures or that, once established, a joint venture will be profitable. If a joint venture is unsuccessful, the Company may be unable to recoup its initial investment. In addition, the Company's inability to realize joint venture opportunities may result in losing access to premium plots of and which might be developed by competitors of the Company and/or require significant capital expenditure to acquire land plots in the future. Any of these factors, alone or in combination, could lead to a decline in construction quality, delays in project delivery, reputational risks and higher capital expenditure and/or funding costs, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.12 Risks associated with the Company's use of third party contractors and suppliers

The Company hires third party contractors and subcontractors to carry out some of the construction activities associated with its projects. While the Company has historically had access to experienced contractors, there can be no guarantee that it will continue to have such access in the future, or that the costs associated with hiring experienced contractors will not increase due to higher levels of competition for their services or otherwise. Furthermore, the Company's property developments are complex, and in addition to the Company' reliance on the main contractors who oversee their construction and assist in elements of the design and planning process, the Company is also dependent on access to numerous specialist sub-contractors to complete its projects in accordance with its high standards. Accordingly, there can be no assurance that the quality of construction of the Company's completed and ongoing projects will be maintained on its future projects. Any difference in the quality of construction from project to project could adversely affect the Company's brand and have a material adverse effect on the Company's business, results of operations or financial condition.

The Company's contractors typically provide a ten (10) - fifteen (15) year warranty on the foundation work of units and generally remain liable for structural defects for a period of ten (10) years. The Company, in turn, typically offers its off-plan sales customers a one (1) year warranty relating to the mechanical, electrical and contractors' works within the residential unit and generally remain liable for structural defects for a period of at least ten (10) years. If a contractor defaults on its warranty or liability in relation to the correction of a workmanship-related or structural defect which is discovered during the relevant period, the Company may not be able to locate another suitably qualified contractor to rectify the defect in a timely manner or at all, and may not be able to recover the cost of any repairs from the defaulting contractor. Furthermore, if a significant number of customers encounter workmanship or structural defects and these are not rectified in a timely and satisfactory manner, the Company's reputation may be adversely affected, which could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition to the above, should one of the Company's contractors or suppliers default on its arrangements with the Company for any reason, including as a result of its bankruptcy or insolvency, or if the Company's relationship with a contractor or supplier deteriorates, the Company may not be able to find a suitably qualified replacement promptly, on similar terms or at all. In addition, any new contractor or supplier may need time to familiarize itself with the ongoing project, causing a further delay in the completion of the project. In addition, some contractors may require licenses or permits to work for the Company and there can be no assurance that a successor contractor could be found in a timely manner with the requisite approvals and licenses. If any of these events were to occur, this could adversely affect the Company's ability to complete the affected project(s), which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.13 Risks relating to the Company's customers defaulting on their purchase price payments

The Company sells the residential units pertaining to its projects when they are still off-plan. Upon buying a unit, the customer contractually agrees to pay the Company the purchase price in instalments on a pre-agreed payment schedule. The Company commences main construction works on projects which do not involve the MoMRAH once it receives a sufficient portion of deposits, and the Company uses the cash collected to cover initial phase construction costs. The Company commences main construction works on projects which involve the MoMRAH once it sells all of the units comprising these projects. Subsequent purchase price instalments are used to fund further construction of the project. If, due to poor economic conditions, declines in property values or otherwise, a significant portion of customers were to default on paying their subsequent instalments at any particular stage in the construction of a project, the Company would be required to seek to recover monies owed, which can be a costly and time consuming process. If the Company were unsuccessful and unable to obtain the relevant funds, this could jeopardize the completion of the project, which would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.14 Risks associated with Company's material contracts, including under its development agreements

The Company is party to a number of material agreements including development agreements, sub-development agreements and partnership agreements, some of which contain provisions which are onerous on the Company or otherwise unfavorable to it. For example, in the event of an early termination of the development agreement for the Nesaj Town 2 project or the sub-development agreement for the Nesaj Town Riyadh project, the Company has no right to compensation for work already carried out if the development agreement is terminated before completion of these projects, respectively. It should be noted that the Company has the right to use the buyers' money deposited in the escrow account to build Nesaj Town 2, but in the event that the Company does not deliver the completed housing units by the agreed completion date (whether due to default or any other reason), the form of the sales contract imposed for all off-plan sales stipulates that the Company must return all premiums paid by buyers. If so terminated, this would have a material adverse effect on the Company's business, results of operations and financial condition.

It should, also, be noted that the majority of the Company's projects under construction are development agreements with MoMRAH, whereby the latter provides land to the Company and the Company is responsible for the construction and sale of the residential units, proving that the Company clearly depends on government initiatives. The Company collects the value of the land on behalf of the MoMRAH, and the Company is expected to settle the remaining amount once the sale and handover of all the villas in the Nesaj Town 1 and Nesaj Town 2 projects were completed. As of 30/09/2021G, the remaining outstanding land value for said projects amounted to SAR 198,483,570.

In addition, the partnership agreements entered into by the Company and the MoMRAH for the Nesaj Town Al-Khobar project and the Ayala Al-Nakheel project provide that in the event the off-plan sale payments received are insufficient to enable the Company to complete the development of the relevant project, the Company would be obliged to take all necessary steps to complete the project before the Works Completion Date. In such a scenario, the Company could incur additional funding costs if off-plan sales are not successfully completed. Also, the Company's rights under the sub-development agreement of Nesaj Town Riyadh are contingent upon the main development agreement remaining in place, noting that the Company is not able to assess the basis upon which the main development agreement could be terminated as the Company was unable to obtain the main development agreements.

In addition, the sub-development agreement relating to the Nesaj Town Riyadh project provides that a penalty of 7% of the value of a residential unit is payable by the Company to customers in the event that the handing over of the relevant residential unit is delayed by one year beyond the date specified in the sales contract. If the Company delays the handing over of the residential unit by more than one year, the delay penalty is not limited to a percentage amount and would be calculated in accordance with the then prevailing market value, which is inherently uncertain and potentially onerous. If such a delay were to arise, the payment of such penalties by the Company would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.15 Protecting certain trademarks on which the Company relies

The Company has registered 11 trademarks in Saudi Arabia on which it relies, details of which are set out in Section 12.11.1 ("**Trademarks**"). As of the date hereof, the Company is undertaking procedures to register the trademark of Tadbeir Real Estate Company and Remal Al Khobar Real Estate Company. In the event the Company is unable to register or renew its trademarks, or in the event a third party objected to the registration of a trademark, this would affect the Company's operations, financial condition and results of operation. The competitive position of the Company depends on its ability to continue using such trademarks and to protect its rights related to such trademarks against any illegal use of such trademarks by third parties.

In the event the intellectual property rights related to the Company's trademarks are infringed, including as a result of unauthorized use or a failure to protect such rights by the competent authorities in accordance with the regulations of the relevant countries, it may face costly litigation and the diversion of technical and management personnel. Furthermore, the outcome of a dispute may require the Company to enter into royalty or licensing agreements, which may not be available on terms acceptable to the Company, or at all. Any of the above would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.16 Risks relating to the outbreak of an infectious disease or other serious public health concerns, including the continuing global spread of COVID-19

The outbreak of an infectious disease, such as Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the Novel Coronavirus (COVID-19) in the Middle East and/or elsewhere would have a materially negative impact on the Kingdom's economy and business operations of the Company. Since late December 2019G, there has been an outbreak of COVID-19, first in China and then globally. COVID-19 is an infectious disease caused by a highly contagious virus causing respiratory infection and other symptoms such as fever, cough and shortness of breath.

Following the outbreak of COVID-19, governments in numerous countries have implemented travel restrictions and/or mandatory quarantine measures on international travelers and, in many cases, on residents within cities, regions or provinces of certain countries. The Saudi government has implemented a range of containment measures in response to the outbreak. These include, or have included at various times:

- the temporary suspension of visas to foreign religious tourists intending to visit Makkah and Madinah for Hajj and Umrah;
- the temporary restriction on all Saudi resident Hajj and Umrah pilgrims from visiting Makkah and Madinah;
- the temporary suspension of all flights (international and domestic) and inter-urban bus, taxi, and train service;
- the temporary suspension until further notice of travel between regions and cities within Saudi Arabia;
- the temporary suspension of attendance at workplaces in all government agencies, except for the health, security, and military sectors, as well as the National Cyber Security Center;
- the temporary suspension of attendance in the private sector, with the exception of vital sectors, such as health and food;

- full curfew in all cities of Saudi Arabia (where there is a concentration of cases), including Makkah, Madinah, Riyadh and Jeddah;
- the imposition of restrictions on the times allowed to carry out economic and commercial activities;
- the closure of all public spaces except as otherwise formally directed (including entertainment venues and malls) in the Kingdom;
- full or partial curfews in a number of cities and regions of the Kingdom.

There can be no assurance that the containment measures outlined above will be effective in stopping or curtailing the current or future spread of COVID-19 in the Kingdom. Moreover, the containment measures outlined above would have a material and adverse effect on the Saudi economy and investor and business confidence for a period which is difficult to predict. This would, in turn, materially and adversely affect the Company's business, results of operation, financial condition and prospects.

As a result of the outbreak of COVID-19 in Saudi Arabia and elsewhere, the Company is also subject to business continuity risks. In addition, if any of the Company's Directors, Senior Executives or other employees contract COVID-19, the operation of the Company would be required to be temporarily suspended and/or the affected individuals would be subject to quarantine. This would, in turn, disrupt the normal operations of the Company's business. The prolonged occurrence of COVID-19 could, in extreme circumstances, lead to the forced temporary suspension of Company operations. During 2020G, the Company granted store tenants discounts of SAR 1.0 million, and Tadbeir Company granted its customers discounts of SAR 1.0 million.

Any of the foregoing would also apply to future outbreaks of other infectious diseases or serious public health concerns in Saudi Arabia. Any of the foregoing factors (including any future outbreak) would have a material adverse impact on the Company's business, results of operation, financial condition and prospects.

2.1.17 The Company's reliance on its senior management and key personnel

The Company's success depends upon the continued service and performance of its senior management and other key personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. The Company relies on a number of key individuals in its senior management team, who have valuable experience in real estate development and who have made substantial contributions to the development of the Company's operations and expansion. Competition for senior management and key employees in the real estate industry is intense, and the Company cannot guarantee that it will be able to retain its personnel or attract new, suitably qualified personnel, including vacancies available as of the date of this Prospectus for the posts of Chief Strategic Planning Officer and Chief Commercial Officer. In addition, the Company has in the past relied on the Substantial Shareholders, who has supported the Company and Management through their real estate insights and knowledge of the real estate sector. The Company may not be able to continue to benefit from the Substantial Shareholder's extensive experience and understanding of the Saudi market, which would materially and adversely affect the Company's business, results of operations, financial condition and prospects.

The Company may need to invest significant financial and human resources to attract and retain new senior management members and/or employees. The loss of the services of members of the Company's senior management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. Each member of senior management, as well as key employees, may resign at any time. If the Company loses the ability to hire and retain key senior management and employees with high levels of skills in appropriate domains, this would materially and adversely affect the Company's business, results of operations, financial condition and prospects and increase its expenses. The Company has also provided commercial store tenants discounts amounting to SAR 1.0 million and Tadbeir Company Limited offered discounts for their customers amounting to SAR 1.0 million for the duration 2020G.

The Company's senior management or key personnel could behave in a manner which negatively impacts the Company's business, including through misuse of information or systems, disclosure of confidential information, or disseminating misleading information. Additionally, the Company may not always be able to prevent its senior management and key personnel from committing any gross misconduct or ensure compliance with internal regulations and policies of the Company, which could result in losses, fines or financial liabilities for the Company, or cause harm to the Company's reputation and could adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.18 Risks associated with requirements of foreign employees and Labor Law

Under the Saudi Labor Law, foreign employees are only permitted to work for the corporate entity which sponsors them in Saudi Arabia. The penalties for entities seconding foreign employees under their own sponsorship to another entity without an Ajeer notice include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the Law and a ban on recruiting foreigners for a period of one year. The penalties increase in case the Company or the branch repeats the violations to include higher fines of up to SAR 100,000 for each employee working in violation of the law and a potential recruitment ban for two to five additional years, among other things. The status of certain foreign employees of the Company could result in losses, fines or financial liabilities for the Company, and could adversely and materially affect the Company's business, results of operations, financial condition and prospects. Transferring the sponsorship of employed foreign employees from one Company to another or the secondment thereof through the Ajeer program adversely affects the Saudization rate of the Company from which employees were transferred or seconded, which would affect its classification in the Nitaqat program (for more information about Saudization and the Nitaqat Program, please refer to Section 4.11 "**Saudization**").

In addition, under the Saudi Labor Law, each foreign employee must carry out the job function stated on his/her Iqama. The penalties for entities hiring employees whose actual job function does not correspond with the job function appearing on their Iqama include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the law, a ban on recruiting foreigners for a period of one year and these penalties increase in case of repeated violations. The status of certain foreign employees of the Company could result in losses, fines or financial liabilities for the Company, and would materially and adversely affect the Company's business, results of operations, financial condition and prospects.

2.1.19 Risks related to future financing

The Company needs to continue to make investments to support the growth of its business and may require additional funds to respond to business challenges, implement its growth strategy, increase its market share in its current markets or expand into other markets, or broaden its product offering. The cash generated from operations and the Company's existing financial resources may not be sufficient to fund this growth strategy. Accordingly, the Company may seek to raise additional capital or incur additional indebtedness.

For various reasons, including any non-compliance with undertakings under existing or future lending arrangements, additional financing or the refinancing of existing lending arrangements may not be available when needed, or may not be available on terms favorable to the Company, if at all.

An increase in indebtedness may expose the Company to additional risks. For example, an increase in the indebtedness of the Company may restrict its ability to make strategic acquisitions or cause it to make non-strategic divestitures to sell or dispose of assets, as well as limit its ability to obtain additional financing. In addition, as the Company has relatively high fixed costs, it may have greater difficulty servicing higher debt levels. In addition, documentation pertaining to indebtedness of the Company typically includes covenants that restrict the operations of the Company.

If the Company fails to obtain adequate debt on a timely basis or on terms satisfactory to the Company, or if the Company becomes unable to service its debt repayments as they fall due, this will adversely affect the Company's ability to sustain its operations or achieve its planned rate of growth, which would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.20 Risks associated with the Company's current debt arrangements

The Company and its Subsidiaries have entered into a number of commercial facilities, which include: (1) facilities between ANB and the Company dated 16/12/2020G, as amended, for a total amount of SAR 308,590,832 ("**ANB Facilities**"); (2) facilities between Riyad Bank and the Company dated 10/11/2021G for a total amount of SAR 232,600,000 ("**Riyad Bank Facilities**"); (3) facilities between Albilad and the Company dated 28/01/2021G, as amended, for a total amount of SAR 262,905,000 ("**Albilad Facilities**"); and (4) facilities between Rajhi Bank and the Company dated 05/12/2021G for a total amount of SAR 238,700,000 ("**Rajhi Bank Facilities**").

There are various provisions in the Company's facility agreements for the above which are favorable to the lenders. For example, under the ANB Facilities, ANB has the right to demand additional collateral from the Company at any time it deems fit and the Company undertakes to provide such collateral to ANB. Under Riyad Bank Facilities, the Company also undertakes not to declare or distribute any dividends or repay any loans to its shareholders in the event of an event of default. There are also broad cross-default provisions set out in the ANB Facilities and upon the occurrence of such events of default, ANB has the right to cancel the facilities and demand all amounts outstanding due and payable, exercise set off rights and enforce its collateral. In addition, under the Albilad Facilities, Albilad, at its own discretion, can extend the facilities according to its own terms and conditions, request additional collateral to be provided, reduce or increase the service charges, reduce the facilities' limits as well as terminate the facility agreement. There are also a number of onerous financial covenants given by the Company under the Rajhi Bank Facilities, in which the Company commits and undertakes that certain financial ratios will be met. Finally, under the Rajhi Bank Facilities, the Company undertakes not to pay dividends until the aggregate amount available for distribution to its shareholders has been determined, and without the prior written consent of Rajhi Bank.

In the event that the Subsidiaries breach any of their other obligations pursuant to the documents pertaining to the above facilities, the relevant lender would have the right to demand payment of all outstanding amounts owing by the relevant Subsidiary and declare the same to be immediately due and payable. In addition, any such breaches may also lead to a demand for payment pursuant to the guarantees granted by the Company and its Subsidiaries, taking into account that the security provided to the lenders in relation to the facilities made available consists of guarantees granted by the Company and its Subsidiaries only and does not consist of any pledges over assets or properties of the Company.

In addition to the above, the Albilad Facility and the Riyad Bank Facilities are guaranteed by, Abdullatif and Mohamed Al Fozan Holding Company, a shareholder of Al Fozan Holding Company. If either of these guarantors were to withdraw or not renew their guarantees, or if such guarantees were to expire or become invalid for any reason, this would constitute a deemed breach by the Company under the facilities, which would give the banks the right to demand immediate repayment of the amounts owing from the Company.

If any of the foregoing risks were to materialize, this would adversely affect the Company's business, results of operations, financial condition and prospects.

2.1.21 The Company's implementation of a newly adopted Corporate Governance Manual

The General Assembly approved an internal Corporate Governance Manual on 22/12/1442H (corresponding to 01/08/2021G). The manual includes rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in proper implementation of the corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board, its Committees and Senior Executives, especially with regards to formation related to the Board and its Committees thereof, independence requirements, rules related to conflict of interests and Related Party Transactions. Failure to comply with the governance rules, especially the mandatory rules that have derived from the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties and would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

The Ordinary General Assembly of the Company formed the first Audit Committee, consisting of three non-executive members, on 07/04/1442H (corresponding to 22/11/2020G). The Board of Directors formed the first Nomination and Remuneration Committee on 18/04/1442H (corresponding to 03/12/2020G), and the first Executive Committee on 18/04/1442H (corresponding to 03/12/2020G) (See Section 5.2 ("**Board Committees**")). Failure by members of these Committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders may affect corporate governance compliance, the continuous disclosure requirements and the Board's ability to monitor the Company's business through these Committees, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.22 Management's insufficient experience in managing a publicly listed company

The Senior Executives have limited or no experience in managing a public listed joint stock company in the Kingdom and complying with the laws and regulations pertaining to such companies. In particular, the internal and/or external training that the Senior Executives will receive in managing a Saudi Arabian publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the Senior Executives, which may divert their attention away from the day-to-day management of the Company. Non-compliance in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. The imposition of fines on the Company would have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.23 Risks associated with interruptions in the Company's IT network or cloud systems

The Company's ability to operate its business effectively depends upon the sophistication and reliability of its IT network and availability of its cloud services, and, in particular, its bespoke IT management system for tracking all transactions completed at the Company's projects.

Previously, the Company did not have an integrated ERP system with various accounting units, especially that relating to human resources, which led to the inability to distribute employee salary expenses to employees in different departments due to the capitalization of a portion of the salary cost within the balance sheet items.

The Company acquired a new enterprise resource planning system during 2021G, and the Company is working on training employees in the use thereof, with transition to the system expected to be completed by the Q4 2021G. Due to the newness of the system, the inability of employees to use it effectively, or mistakes made thereby in the use thereof will affect the efficiency of the new system or lead to the loss of Company information, which will have a negative impact on the Company's business and results of operations.

External and internal risks, such as malware, code anomalies, attempts to breach the Company's networks, unavailability of required updates or modifications, data leakage and human error all pose a direct threat to the Company's services and data. The Company's networks may also be subject to interruption due to unforeseen "**force majeure**" events or power outages. These types of adverse events could also occur in the event the confidentiality, integrity or availability of Company and customer information is compromised due to a data loss by the Company or a trusted third party. Additionally, the cost and operational consequences of implementing further upgrades to the Company's IT systems and networks, and data or system protection measures, whether due to expansion, upgrades, new technology, new laws and regulations, or otherwise, could be significant.

The Company's facilities and systems, or those of third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Because such attacks are increasing in sophistication and change frequently in nature, the Company and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of the Company's systems, or those of its third-party service providers, may not be discovered and remediated promptly, which could result in a loss of data. A security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error made by the Company's employees may lead to a breach of consumers, employees' and customers' data privacy and security. Any such breach may result in a divulgence of such data to third parties against the will of all affected parties, which could undermine the privacy of such parties and result in reputational harm to the Company. In addition, this could adversely affect the Company's performance due to judicial proceedings or claims initiated against the Company in case it defaulted in preserving the safety and confidentiality of data and in ensuring compliance with the relevant controls on disclosing data in an accurate and timely manner via the appropriate channels. Any such breach or other similar event may also lead to a change of current and potential consumers behavior in a way that would impact the Company's ability to retain current members or attracting new members, which would materially and adversely affect the Company's business, financial condition, internal operations (e.g. logistics, inventory and management), results of operation and prospects.

Any disruption to the Internet or the Company's IT systems and/or technology infrastructure, including those impacting the Company's computer systems and website, or the occurrence of any of the aforementioned risks, would have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.1.24 Risks related to the adequacy of insurance coverage

The Company maintains insurance policies covering theft of cash amounts, fraudulent acts, and damaged or destroyed property (for more information about insurance policies maintained by the Company, see Section 12.10 ("**Insurance**")). There is no guarantee that these insurance policies will be adequate at all times and in all circumstances, or that the limit of insurance coverage will be adequate at all times and in all circumstances, or that the limit of insurance coverage will be sufficient in all events to pay for the claims relating to the insured risks. The Company might not be able to successfully substantiate its claims according to the insurance policies in effect because of the exclusions or conditions of insurance coverage. This will cause the Company to be liable for paying for accident related losses, which will also have a material adverse effect on the Company's business and operating and financial results.

Future events might occur for which the Company might not have adequate insurance coverage to cover all potential losses, or might not be insured against it at all, such as risks resulting from acts of aggression, political risks, war, sabotage, and potential natural disasters (such as earthquakes and floods). In addition, the Company's present insurance policies might also be unavailable in the future. Accordingly, the losses and liabilities resulting from entirely uninsured or insufficiently insured risks could significantly increase the Company's costs, which would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.1.25 Risks associated with litigation involving the Company

The Company, its Directors and/or its officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, customers or regulatory authorities. The Company may also be the claimant in such lawsuits or litigation.

A lawsuit was filed against the Company before the General Court in Khobar regarding an unpaid amount of SAR 257,043, and a court ruling was issued to dismiss the case as the plaintiff did not attend the hearing and failed to justify its absence. In addition, a lawsuit was filed against one of the Company's subsidiaries, Nesaj Urban Development Company, for an unpaid amount of SAR 148,000. In this case, a court ruling was issued in favor of the plaintiff and the Company paid an amount of SAR 138,073.

It should be noted that the Company has filed a lawsuit before the Enforcement Court in Dammam, regarding the enforcement of a SAR 1,328,250 promissory note. A court ruling was issued against the judgment debtor to pay the Company the sum of SAR 356,778. The Company filed a lawsuit before the Enforcement Court in Dammam, regarding the enforcement of a SAR 231,949 promissory note. A court ruling was issued in favor of the Company and ordered the judgment debtor to pay the sum of SAR 231,949. (For more details, refer to Section 12.12 ("**Litigation**")).

As of the date of this Prospectus, the Company and its Subsidiaries do not have any existing lawsuits, but the Company or its Subsidiaries may, in the future, enter into lawsuits outside their usual scope of work.

Any unfavorable outcome in such litigation and regulatory proceedings could have a material adverse effect on the Company's business, financial condition, results of operations or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, results of operations, financial condition, and prospects.

2.1.26 Risks related to negative changes in interest rates

In its expansion effort, the Company relies on financing facilities obtained from commercial banks. Therefore, the Company's external financing arrangements are highly influenced by interest rates, which in turn are highly sensitive to a number of factors outside the Company's control, including government, monetary and tax policies, and local and global economic and political conditions. Since the Company has not entered into any hedging agreements to reduce the risk of exposure to high interest rates, an increase in interest rates and related financing costs may lead to a decrease in the Company's profitability and cash flows, which will have a negative and material impact on the Company's business, financial position, results of operations and prospects.

2.1.27 Risks related to some members of the Board of Directors carrying out business that competes with that of the Company

Some members of the Company's Board of Directors own companies engaged in real estate development. The activities of these companies may be similar to the Company's business or directly or indirectly competing therewith, which may lead to a conflict of interest between the business of the concerned Board member, and the Company's business. The Extraordinary General Assembly, held on 22/12/1442H (corresponding to 01/08/2021G) approved the participation of Board members: Abdullah Al-Fozan, Fozan Al-Fozan, Fahd Al-Mujil, Abdullah Al-Braikan, and Abdulrahman Al-Jalal in business similar or competing with that of the Company through their membership on the boards of directors thereof or their contribution in the capital thereof. The participation of members of the Board of Directors in competing business is subject to approval from the Ordinary General Assembly under Article 46 of the Corporate Governance Regulations and in accordance with Article 72 of the Companies Law. It is also obligatory for any member of the Board of Directors involved in business competing with that of the Company not to participate in voting on the relevant resolutions. In view of the restrictions imposed on shareholders with regard to voting in the General Assembly, under Article 46 of the Corporate Governance Regulations, whereby not all existing shareholders are entitled to vote on the relevant resolutions in the General Assembly. Among the potential risks, the Board of Directors or the General Assembly may not agree to the participation of members of the Board of Directors in business competing with that of the Company, in which case, the member of the Board of Directors who is the stakeholder in such a transaction must resign or take measures to ensure divesting from such an interest (for example, in the termination of the relevant contract or assignment of rights arising from said interest) (for more details on Board member participation in business competing with that of the Company, please see Section 5.6 ("**Conflict of Interest**")).

Said members influence Company decisions, and sometimes their interests may not be in line with those of the Company. As of the date of this Prospectus, none of the Board members, senior executives or current shareholders was a party to any agreement, arrangement or understanding under which they are subject to any obligation preventing them from competing or any similar obligation in relation to the business of the Company. In the event that shareholders or members of the Board of Directors do not comply with the requirements of continuous disclosure, said eventuality will have a negative and material impact on the Company's business, results of its operations, financial position and prospects.

2.1.28 Risks related to Companies Law

The Companies Law issued under Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) imposes certain regulatory requirements that the Company must abide by. To comply with such requirements, the Company must adopt specific procedures such as amending its Bylaws to comply with the Companies Law and adhere to the periods stipulated for holding General Assembly meetings. In the past, the Company did not adhere to the specified period for holding the Ordinary General Assembly set out in Article 91 of the Companies Law and has voted on issues that were not included in the agenda of the General Assembly meeting.

Article 71 of the Companies Law provides that no member of the Board of Directors shall have any interest, directly or indirectly, in the transactions or contracts made for the Company, except with the authorization of the Ordinary General Assembly and according to the controls imposed by the competent authority. Board members shall inform the Board of Directors of any interest, direct or indirect, in the transactions or contracts made for the Company and such disclosure shall be recorded in the minutes of the Board meeting. Such board member may not participate in voting on the resolution to be issued in this regard by the Board of Directors and shareholders' assemblies

However, previously, the Company and the Related Parties had previously agreed to conclude a number of contractual conditions that are not on an arm's length basis and without concluding formal contracts for these transactions. The Company had five (5) transactions that were not concluded on an arm's length basis with the following Related Parties: Abdullah bin Faisal bin Abdulaziz Al- Braikan; Abdullatif bin Ali AlFozan; Wasm United Company; Arac and Partners Engineering Consultancy; and AlFozan Holding Company, whereby the Company paid expenses on behalf of Related Parties; provided contracting services; financed Related Parties; and obtained financing from Related Parties. It should also be noted that, the Company previously relied on a revolving credit facility provided by Al Fozan Holding Company for a maximum value of SAR 200,000,000 to finance the Company's liquidity needs to meet the operational requirements and working capital. The Company took all measures to terminate, repay and collect all monies due thereto thereunder.

The current Companies Law imposes stricter penalties for violation of its mandatory provisions and rules. Fines for violating some of the provisions may reach SAR 500,000. Therefore, if the Company is subjected to a penalty due to non-compliance with these provisions, or if it does not comply with the provisions of its Bylaws, this will have a material adverse effect on the Company's business, financial position, results of operations, and prospects.

2.1.29 Risks related to the calculation method of the construction contracts revenue, being recognized as a percentage of completion

The Company recognizes construction contracts revenue based on the percentage of completion method ("**PoC**") in any given development project. Construction contracts revenue accounted for approximately SAR 125.4 million, SAR 264.8 million, SAR 389.4 million and SAR 558.6 million, representing 60.0%, 58.0%, 66.3% and 91.1% of the Company's total revenue, as of the years ended 31 December 2018G, 2019G and 2020G, and the period ended 30 September 2021G, respectively.

Construction contracts revenue is recognized based on the cost-to-cost method. The related costs are recognized in profit or loss when they are incurred. Payment terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of project design and normally span for more than one year. In standard, multi-unit real estate contracts, control is transferred over time if the Company establishes that its performance thereunder would not give rise to an asset of an alternative use to the Company, and concludes that it has, at all times, an enforceable right to payment for the performance completed up to that date. As for contracts that meet the criteria for recognizing overtime revenue, the Group's performance is measured based on the inputs and with reference to the costs incurred to meet the performance obligations (e.g. resources consumed, work hours spent, costs incurred, time elapsed, or machinery and number of hours used). For the projected total inputs till completion, the Company does not take into account the effect of any costs not incurred towards the Company's transfer of the control over the goods or services to the client (including unforeseen disbursements on wasted materials or other project personnel costs), and adjusts the input method of any costs incurred towards the Company's progress in meeting its performance obligations.

As part of the costs of construction contracts, the Company capitalizes project personnel costs, and then recognizes the same as costs based on the PoC method. The capitalized project personnel costs accounted for SAR 2.6 million, SAR 0.0, SAR 3.8 million, and SAR 1.8 million as of the years ended 31 December 2018G, 2019G and 2020G, and the period ended 30 September 2021G, respectively.

In preparing the Company's consolidated financial statements, the Management is required to establish the terms, projections and assumptions that would affect the revenues, expenses, assets and liabilities, the attached disclosures, and the disclosures of contingent liabilities. Uncertainty about such assumptions and projections would result in outputs that require affecting material adjustments to the book value of the vulnerable assets or liabilities in future periods. Accordingly, any material change in the assumptions and projections would have a negative and material impact on the Company's business, results of operations, financial position, and future prospects.

2.2 Risks Relating to the Company's Properties

2.2.1 Risks related to real estate valuation

The Company's property assets are inherently difficult to value. Factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), political conditions, the condition of financial markets and real estate markets, the financial condition of customers, potential adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. The judgement of Management significantly impacts the determination of the value of the Company's projects, particularly with respect to joint venture projects and land bank projects. No assurance can be made that the valuations of the Company's projects will reflect actual sale prices of residential or commercial units. Neither should the valuations be taken as an indication of the availability of financing for the potential sale of any of the Company's projects or an indication of continuing demand for any of the Company's projects. Significant differences between valuations and actual sales prices could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, a key component of determining the value of a project is based on the assessment by Management of real estate market conditions in the Kingdom. The Saudi real estate market is in turn affected by many factors such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Company's control and may adversely impact projects after their most recent valuation date. As a result, any material decline in the real estate market in the Kingdom could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.2.2 Risks related to the illiquidity of real estate investments

Because real estate investments are generally illiquid, and due to the cyclicality of real estate markets, the Company ability to promptly sell residential or commercial units in one or more of its projects in response to changing political, economic, financial and investment conditions is limited. The real estate market is affected by many factors that are beyond the Company's control. In addition, to the extent the Company requires third-party funding to develop its projects, it may be required to mortgage certain projects, or parts thereof, to secure its payment obligations, which could preclude the Company from selling such projects or any affected units in the event of a default under such financing arrangements. There can be no assurance that the sale of units in any of the Company's projects will be at a price which reflects the most recent valuation of the relevant project, particularly if the Company is forced to sell in adverse economic conditions. Any of these factors, alone or in combination, could have a material adverse effect on the Company's real estate portfolio, which could in turn have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

2.2.3 Risks related to ownership and title disputes relating to the Company's Properties

Real estate ownership in Saudi Arabia gives rise to a number of risks, in particular disputes over ownership and title given the absence of a centralized land registry. Given that indefeasibility of title does not yet exist in Saudi Arabia, various types of historical evidence are relied upon to identify and prove ownership of land, such as court judgments, sale agreements and historical deeds.

It is also worth noting that the Company had entered into a sale and purchase agreement with Al Fozan Holding on 19/05/1442H (corresponding to 03/01/2021G). The title deed of the Land No. UD1450, located in Al-Seef district, Dammam, has not been yet registered in the name of the Company. Nevertheless, said land was registered as a Company's asset in its books before obtaining any subsidiary Sukuk thereof. The main deed of the land will be sorted and divided into subsidiary Sukuk and the ownership thereof will be transferred to the Company as soon as the land's infrastructure development is completed, the full amount of the agreement is paid, and the competent authorities assert fulfillment of the applicable standards. The title deed of the land is expected to be transferred to the Company during Q2 2022G. As of 30 September 2021G, the book value of the lands subject of the agreement amounted to SAR 80 million, representing approximately 5.06% of the total assets, and the Company is not involved in any dispute in connection to such lands.

Given that not all relevant historical evidence may be available in every case, there is often a residual risk of future ownership disputes. For example, if a historical seller had sold a property to another purchaser prior to selling it to the Company, even if such historical sale was not registered, the other purchaser may still have a claim against the Company over a given property. Accordingly, clear title may not be established in respect of all of the land owned by the Company. Furthermore, legal disputes might arise in connection with these real estate plots, which disputes may, in some cases, cause the Company to lose title to a real estate plot it owns. Such disputes and questions about title may materially impact the value of a project, may cause the Company to cease development for a particular project and would otherwise adversely affect the Company's business, financial condition, results of operations and prospects.

2.3 Risks Relating to the Market, Industry and Regulatory Environment

2.3.1 The impact of political and economic risks on the Company's operations

The entirety of the Company's assets are located in Saudi Arabia, and the Company's financial performance is therefore dependent on the prevailing economic and political conditions in Saudi Arabia and on global economic conditions that affect Saudi Arabia's economy.

The oil sector still constitutes a large share of the GDP of Saudi Arabia. Fluctuations in oil prices may occur, and adversely affect the economy of Saudi Arabia. Economic growth in the Kingdom has also slowed in recent years. Saudi Arabia is also facing the challenge of relatively high levels of population growth. All such conditions could have an adverse effect on the Saudi Arabian economy, which in turn would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In addition, many countries in the Middle East suffer from political or security instability at the present time. There can be no assurance that the negative diplomatic relations with, or economic and political conditions in, those countries or other countries will not have a negative impact on the economy, foreign direct investment or financial markets in Saudi Arabia in general, and on the Company's business, results of operation, financial position and prospects.

Any unexpected major changes in the political, economic or legal environment in Saudi Arabia and/or other countries in the Middle East, which include without limitation normal market fluctuations, recession, insolvency, weakness in employment levels, technological shifts and other such developments, will adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.3.2 Compliance by the Company with Saudization and other Labor Law Requirements

Compliance with Saudization requirements is a local regulatory requirement necessitating that all companies active in Saudi Arabia, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of a company's activities. The Company has been classified within the platinum range, Nesaj Urban Development Company within the high green range, Building Construction Company Limited within the platinum range, Tadbeir Limited Company within the medium green range, and Tadbeir Real Estate Company Limited within the platinum range, which means that the Subsidiaries comply with the current Saudization requirements, which allow compliant companies to secure work visas.

As of 30 September 2021G, the number of Saudi nationals employed by the Company reached 70.47%, and by the Subsidiaries reached approximately 24.4% of the total number of employees in Tadbeir Limited Company, 34.5% in Nesaj Urban Development Company, 16.26% in Building Construction Company Limited, and 77.7% in Tadbeir Real Estate Company Limited. The Company and the Subsidiaries have obtained the relevant certificates to this effect from the Ministry of Human Resources and Social Development.

The Company may not be able to fulfil current or enhanced Saudization or other Labor Law requirements in the future and/or that the minimum wage required to be paid by the Company will not increase. In case of non-compliance with the Saudization requirements, the Company could face sanctions by governmental authorities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees. In addition, there can be no assurance that the Company will be able to provide the required workforce or recruit the required number of Saudi nationals and/or foreign workers without incurring additional costs, if at all, which would adversely and materially affect the Company's business, results of operations, financial condition and prospects. For further details, please refer to Section 4.11 ("**Saudization**").

2.3.3 The impact of changes in laws and government policies in Saudi Arabia

The Company is subject to a range of laws and regulations in Saudi Arabia, which in many cases are applied by governmental authorities in accordance with government policy or directives. Demand for residential units sold by the Company may be materially and adversely affected by changes in laws, regulations, government policy and administrative directives, or the interpretation thereof, in Saudi Arabia, including in particular those with application to the real estate industry in Saudi Arabia.

A number of the laws and regulations applicable to the Company and its operations are new, and the interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency, and their implementation, interpretation and enforcement may involve uncertainty. There can be no assurance of favorable or unfavorable future changes in laws and regulations and/or governmental policy in Saudi Arabia with respect to the retail industry, including the promulgation of new laws (which may, for example, provide restrictions on retail trading hours), changes in existing laws or their interpretation or enforcement. As a result, there is uncertainty as to the legal protection available to the Company and its shareholders.

In addition, the Building Code issued in 2018G by the National Committee for the Saudi Building Code introduced new technical requirements applicable to buildings for safety, strength and sustainability purposes. Pursuant to the Saudi Building Code Application Law issued by Royal Decree No. M/43 dated 26/04/1438H (corresponding to 24/01/2017G) and as amended by Royal Decree No. M/15 dated 19/01/1441H (corresponding to 18/09/2019G), and the Implementing Regulations of the Saudi Building Code, by end of August 2021G complex buildings (banquet halls, cinemas, theaters) health care centers, hotel furnished apartments, hostels, residential building and recreational facilities, and by end of July 2022G business buildings (among other building categories), must comply with the requirements under the newly issued Saudi Building Code National Committee. The Saudi Building Code Application Law and the Implementing Regulations of the Saudi Building Code provide that whoever violate the Saudi Building Code, any provisions of the law and its implementing regulations shall be subject to a fine up to SAR 1 million for each single violation in each building and/or the suspension of the practice license for a period not less than one month and not exceeding one year. Moreover, any revisions to the Building Code could impose material obligations on the Company, with which it may not be able to comply in a timely manner. This could lead to the imposition of fines or sanctions on the Company, which could adversely and materially affect the Company's business result of operations, financial condition and prospects.

The Company is unable to anticipate changes in the regulatory environment and therefore could be subject to fines and sanctions, which could materially and adversely affect the Company's business, results of operations, financial condition and prospects.

2.3.4 Risks relating to environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds

Under various laws, ordinances and regulations in Saudi Arabia, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral. In the case of any of the Company's projects, any such presence could have an adverse effect on the Company's business. There can be no assurances that the costs of complying with environmental laws and regulations and defending personal injury and property damage claims based on the presence of hazardous or toxic substances will not have a material adverse effect on the Company's business.

In addition, many insurance carriers exclude asbestos-related claims and most mold-related claims from standard insurance policies. If a major uninsured loss or loss in excess of insured limits occurs, the Company could lose both invested capital in and anticipated future revenues and, in the case of outstanding debt, the Company would remain obligated for such debt. Any loss of this nature would adversely affect the Company's business, results of operations, financial condition and prospects.

2.3.5 Risks associated with Zakat, VAT and Real Estate Transaction Tax

The Group is subject to Zakat and taxation in the Kingdom. Any increase in Zakat and/or taxes applicable to the Group may adversely affect its profitability. Retal, Tadbeir Limited Company, Nesaj Urban Development, and Building Construction Company Limited submitted their Zakat returns on an individual basis until 2015G. From 2016G to 2019G, the Group submitted its Zakat returns through the parent company (Al Fozan Holding Company). The parent company submitted Zakat and tax returns for the fiscal years up to 2019G. The Group also submitted its Zakat returns individually for financial year 2020G, and Zakat and taxes dues were paid within the required time. The Group obtained the Zakat certificates from the ZATCA for all years until 2020G, when the Group received its final Zakat certificate.

The ZATCA issued the final assessment for Al Fozan Holding Company (including Retal Group) for 2018G. The ZATCA demanded that Al Fozan Holding Company pay additional Zakat, and Al Fozan Holding Company objected to said assessment, with the objection rejected by the ZATCA. Accordingly, Al Fozan Holding Company escalated the objection before the tax committees, which ruled in favor of Al Fozan Holding Company, with the ruling becoming final as the ZATCA did not appeal the decision of the preliminary committee within the 30 day period prescribed by law. Accordingly, the ZATCA has no claim against the Group for additional 2018G Zakat.

With regard to Al Fozan Holding Company's 2016G, 2017G and 2019G fiscal years, the ZATCA has not issued any final assessments related thereto until the date hereof. In the event that the ZATCA imposes Zakat assessments on Al Fozan Holding Company and requires it to pay additional Zakat for the periods in which the Zakat returns were not received, this will have a material negative impact on the Group's business, financial condition, results of operations and prospects in the event that Al Fozan Holding Company claims compensation therefor from the Group.

The ZATCA also submitted a final Zakat assessment in the amount of SAR 236,337 for Retal Company and SAR 292,743 for the Building Construction Company Limited. Both companies settled the balance without any objections and paid the claims amounts through Zakat allocations.

The ZATCA has not issued any final assessments for the fiscal years 2013G, 2014G and 2020G, and if the ZATCA imposes Zakat assessments on the Group and demands payment of additional Zakat for the periods for which the Zakat returns were not received, this will have a material negative impact on the Group's business, financial condition, results of operations and prospects.

The Group submitted Zakat returns until the fiscal year ending on 31 December 2020G and obtained the required certificates and official receipts. The Group received final assessments from the ZATCA for the fiscal year ending on 31 December 2018G, and, during the subsequent period, a final assessment was received for the fiscal year ending on 31 December 2015G. The Company did not receive the final Zakat assessments since establishment of the Group until 2020G, except for the two fiscal years ended 31 December 2015G and 31 December 2018G.

Nesaj Urban Development Company submitted its Zakat returns until the fiscal year ended on 31 December 2020G and obtained the required certificates and official receipts. Zakat assessments for the period since establishment of Nesaj Urban Development Company until the fiscal year ended on 31 December 2019G are still under review by the ZATCA.

Building Construction Company Limited submitted its Zakat returns until the fiscal year ended on 31 December 2020G and obtained the required certificates and official receipts. Building Construction Company Limited received final assessments from the ZATCA since establishment until the fiscal year ended on 31 December 2010G and the fiscal year ended 31 December 2018G. The final assessments for fiscal years ended on 31 December 2011G until the fiscal year ended 31 December 2017G and fiscal year ended on 2020G are still under review by the ZATCA.

Tadbeir Limited Company submitted its Zakat returns until the fiscal year ended on 31 December 2020G and obtained the required certificates and official receipts. Zakat assessments for the period since establishment of until the fiscal year ended on 31 December 2020G are still under review by the ZATCA.

Al Wijha Real Estate Company submitted a request for a 2.1 million Saudi Riyal refund of the land purchase commission tax, and the Company submitted all the documents supporting the refund request. In light of the refund request, the ZATCA opened a tax return file for Q4 2020G, and the Company was notified of the decision to impose fines against the Company in the amount of 1.06 million Saudi Riyals or 50% of the aforementioned refund request. Several objections were submitted to ZATCA within the objection deadline, and then the Company submitted an objection to the General Secretariat of the Tax Committees on 25/05/2021G, which remains pending as of the date hereof. Al Wijha Real Estate Company has not made any Zakat provision for the period ending in the fiscal year ended on 31 December 2020G, as 12 months have not yet elapsed since its establishment. It should be noted that the Selling Shareholders undertook to assume responsibility for any additional claims that may arise in relation to ZATCA's Zakat assessments for the previous fiscal periods until the listing of the Company's shares.

Based on the foregoing, there is a possible risk that the ZATCA will review previous years during which final Zakat assessments or final certificates of withholding tax were not obtained, challenge the submitted returns and demand that the Group or its Subsidiaries pay additional Zakat, withholding tax or penalties imposed in the future in connection therewith, which in turn may have a material negative impact on the Group's business, results of operations, financial condition and prospects. It should be noted that a Zakat provision is set aside in accordance with the regulations and instructions of the ZATCA. The balance of the Zakat provision for the Group amounted to SAR 12.2 million, SAR 5.9 million, SAR 6.0 million and SAR 7.9 million respectively, for the fiscal years ended on 31 December 2018G, 31 December 2019G, 31 December 2020G, and the three-month period ended on 30 September 2021G. As of 31 December 2020G, the Company set aside an additional Zakat provision of SAR 1.9 million to cover any additional claims by the ZATCA. In the event that the Zakat provision is not sufficient to meet any additional Zakat obligations that may be imposed by the ZATCA, this will have a material and negative impact on the Group's business, financial condition, results of operations and prospects. For more information about the Zakat provision of the Company and its Subsidiaries, please refer to Section 12.13 ("**The Zakat Status of the Company and its Subsidiaries**").

The Kingdom issued the Value-Added Tax Law, which entered into force on 14/04/1439H (corresponding to 01/01/2018G). Said Law imposes a 5% VAT on a number of products and services, including the Company's products and sales. On 17/09/1441H (corresponding to 10/05/2020G) and in response to the economic impact of Covid-19, the Kingdom announced a VAT increase to 15%, as of 10/11/1441H (corresponding to 01/07//2020G). On 14/02/1442H corresponding to 02/10//2020G, real estate properties were exempted from VAT and replaced with a Real Estate Transaction Tax equal to 5% of the value of the real estate property, which is obtained when documenting the real estate transaction.

On 06/05/2021G, the ZAR+TCA revised the VAT assessment of the Building Construction Company for the month of December 2020G, under which it demanded fines amounting to 8,586,836 Saudi Riyals on value added tax not included in the Company's declaration. As of 10/05/2021G, the Company submitted an objection to ZATCA, which was rejected in its entirety; and accordingly, the objection was escalated to the General Secretariat of the Tax Committees on 25/05/2021G, and the hearing to consider the objection was scheduled for 07/02/2022G. As of 30/09/2021G, the Company set aside a provision of SAR 1.3 million, equal to 15% of the claim's value.

The implementation of both VAT and Real Estate Transaction Tax is relatively new, and the Group may make mistakes in complying with regulatory requirements, which may lead to the imposition of penalties by ZATCA in accordance with the VAT and Real Estate Transaction Tax laws, which will have a negative and material impact on the Company's business, results of operations, financial position and prospects.

2.3.6 Risks related to change in the calculation mechanism of Zakat and Income tax

The ZATCA issued Circular No. 6768/16/1438 dated 05/03/1438H (corresponding to 5/12/2016G) which requires Saudi companies listed on the Tadawul to calculate income and Zakat on the basis of the nationality of the Shareholders and the actual ownership between the Saudi and Gulf citizens and others as stated in the "**Tadawul system**" at the end of the year. Prior to the circular, companies listed in Tadawul were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with its bylaws. The fact that shares were listed was not a consideration in determining the Zakat base. This circular was to be applied the year ended 31 December 2016G and subsequent years. However, ZATCA has issued Letter No. 12097/16/1438 dated 19/04/1438H (corresponding to 17/01/2017G) postponing the implementation of this circular for the financial year ended 31 December 2017G and subsequent years. Until ZATCA issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular, including the final requirements to be met, are still under consideration, as well as the rules that impose income tax on all non-Gulf residents who have shares in Saudi listed companies which apply the withholding tax on dividends of non-resident Shareholders irrespective of their nationalities. The Company did not assess the financial impact of this circular and take sufficient steps to ensure compliance therewith, as it is a closed joint stock company owned by Saudi and GCC shareholders. If the financial impact of this circular is significant or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will have an adverse effect on the Company's business, results of operations, financial condition and prospects.

2.3.7 Risks related to White Land fees

The White Land Fees Law issued by Royal Decree No. (M/4) dated 12/02/1437H and its implementing regulations issued by Resolution No. 379 dated 09/08/1437H as amended by Resolutions No. 181 dated 01/03/1441H and No. 511 dated 01/09/1442H, define white lands as any vacant land designated for residential or commercial use within the boundaries of an urban area. The White Land Fees Law imposes an annual fee on white lands, owned by one or more persons of a natural or non-governmental legal capacity, at 2.5% of the value of the land. The regulation defines the criteria for estimating the value of the land and the entity that undertakes this, provided that the criteria includes the location of the land, its uses, building systems, the availability of public services and access to public utilities.

The laws and regulations provide that the owners of white lands subject to the white land fees must submit an application with all the documents and date of the white land to MoMRAH. After the submission, the land owner is informed of the decision issued in relation to the applicability of the fee and the amount of the fee due, in accordance with the notification mechanisms specified in the regulations.

The Company confirms its commitment to register all lands owned by it within the database of the MoMRAH, and as of the date of this prospectus, there are no claims against the Company regarding white land fees.

Accordingly, if the Company owns white lands within the boundaries of the urban area specified by the White Land Fees Law, it will be subject to fees if the Company is unable to initiate the development of the land immediately resulting in the potential decrease of the prices of the white lands, which will have a negative or material impact on the Company's business, financial position, results of operations and prospects.

2.4 Risks Related to the Offer Shares

2.4.1 Risks related to the effective control by current Shareholders

Following completion of the Offering, the current Shareholders will collectively hold 70.0% of the Offer Shares. The Substantial Shareholders will therefore be able to influence all matters and decisions requiring the approval of the Shareholders including the election of the Directors, approval of contracts, important Company activities, distribution of dividends and amendments which might be made to the Company's share capital and the Bylaws.

The interests of the Substantial Shareholders may differ from those of the Company's other shareholders, and the Substantial Shareholders may prevent the Company from making certain decisions or taking certain actions that would protect the interests of the Company's other shareholders. This may also have the effect of delaying, deferring or preventing a change in control or distribution of dividends and discourage bids for the Shares, which may adversely affect the value of the Shares.

Such powers might be used in a manner which would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.4.2 Absence of a prior market for the Shares

There has been no previous public market for offering or trading the Shares, and there can be no assurance that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares would be adversely affected or result in the loss of all or a portion of the Subscribers' investment in the Company, which would adversely and materially affect their anticipated returns.

2.4.3 Risks of selling a large number of shares post-Offering

Sales of large numbers of the Shares on the market after the completion of the Offering, or the perception that those sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Substantial Shareholders will be subject to a six-month Lock-up Period starting from the commencement of trading of the Shares on the Exchange, during which they may not dispose of any Shares that they own. The sale of a substantial number of Shares by any of the Substantial Shareholders following the six-month Lock-up Period could have an adverse effect on the market for the Shares, and may result in a lower market price.

The Company does not currently intend to issue additional Shares after the end of the Offering. If the Company decides to raise capital by issuing new Shares, the newly issued Shares may adversely affect the value of the Shares in the market, and moreover there may be a decrease in the ownership portion of the actual Shareholders if they do not subscribe to the then newly issued Shares.

2.4.4 Fluctuation in the market price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's business, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Offer Price may not be equal to the price at which the Shares will be traded following completion of the Offering and investors may not be able to resell the Offer Shares at the Offer Price or above, or may not be able to sell them at all.

The stock market in general experiences from time to time extreme price and volume fluctuations. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low. The price of Shares may be negatively affected by various factors, including the Company's performance and results of anticipated operations, departures of key personnel, changes in earnings estimates or forecasts, changes in the business strategy, market conditions in its industry, the general situation of the Saudi Arabian economy, changes in laws and regulations, terrorist acts, acts of war or periods of widespread civil unrest, natural disasters and other calamities and stock market price fluctuations. The realization of any of these risks or other factors would have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.4.5 Risks relating to the Company's ability to distribute dividends

Future distribution of dividends will depend on several factors including, among other things, future earnings, financial conditions, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. In addition to other factors, the Company may not be able to pay dividends, and the Directors may not recommend and the Shareholders may not approve the payment of dividends. Additionally, the Company may be restricted by the terms of financing and facilities agreements executed with financing entities which some of them require their written approval prior making dividend payments to Shareholders. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. If the Company does not pay dividends on the Shares, Shareholders may not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase, which would have a material adverse effect on Subscribers' anticipated returns. For further details regarding the dividends policy of the Company, please refer to Section 7 ("**DIVIDEND DISTRIBUTION POLICY**").

2.4.6 Foreign exchange rate risks when investing in the Offer Shares

The Offer Shares are, and any dividends to be paid in respect of the Offer Shares will be, denominated in Saudi Riyals. Any investment in the Offer Shares by an investor whose principal currency is not the Saudi Riyal will expose that investor to foreign currency exchange rate risk. This may adversely impact the investor's value of the investment in the Offer Shares or any dividends.

2.4.7 Risks related to the issuance of new shares in the market post-offering

If the Company decides to raise additional capital by issuing new shares, this will lead to a decrease in the equity of Company shareholders if they do not subscribe to the new shares issued at that time, which could have a negative and material impact on the expected returns of subscribers.

2.4.8 Risks related to Market stock price fluctuations

The Offer Price was determined based on a variety of factors that have affected and may affect the Company and the value of Shares in the future. The Offer Price may not be an indication of the price at which the Shares will be traded in the Market once the Offering is completed, and Subscribers may not be able to resell the Offer Shares at or above the Offer Price, or may not be able to sell them at all.

The trading price of Shares may be volatile and may fluctuate significantly as a result of a variety of factors, many of which are outside the Company's control, including (but not limited to) the following:

a- The Company's financial results and future business prospectus.

b- Fluctuations in the Company's operational performance or in the performance of its competitors.

c- Actual or expected fluctuations in the quarterly or annual results of the Company's operations.

d- Reduction or change in research coverage by securities research analysts in relation to the Company, its competitors, or the sector in which the Company operates.

e- The public's reaction to the Company's press releases and other public announcements.

f- The results of the Company or its competitors not falling in line with the expectations of analysts.

g- Appointment or resignation of key employees.

h- Changes in the Company's business strategy.

i- The general conditions of the sector in which the Company operates and the markets in which it competes.

j- Changes in the regulatory environment.

k- Changes in applicable accounting rules and policies.

l- Political or military developments, or terrorist attacks in the Middle East or elsewhere.

m- Political, economic or other developments that occur in or affect the Kingdom.

n- Beginning or expiration of the lock-up period or other restrictions in the transfer of Shares.

o- Natural and other disasters.

p- Changes in the general market and economic conditions.

The occurrence of any of these factors may result in large and sudden changes in the trading volume and market price of the Shares, which in turn may lead to a negative impact on the expected returns of the Subscribers and/or lead to the loss of all or part of their investment in the Company.

3. MARKET OVERVIEW

The information in this Section is based on an independent market study report developed by the Market Consultant (Knight Frank Middle East Ltd) exclusively for the Company in June 2021G. The company has contracted Knight Frank Middle East Ltd to develop a market study covering the Real Estate markets across Saudi Arabia's tier-1 cities: Riyadh, Jeddah, and DMA. Established in 1896, Knight Frank is one of the world's largest privately-owned global property consultancies. Headquartered in London, U.K., Knight Frank has 512 offices across four continents, with local offices in Jeddah and Riyadh. The team members within Knight Frank have considerable experience of operating in the MENA region and have provided real estate consultancy services to various high profile clients, including highest and best use studies, feasibility studies, market research studies, optimal development strategies, and operator search/selection, amongst others. For further information about the Market Consultant, see www.knightfrank.com.sa.

The Market Consultant does not, nor do any of its affiliates, subsidiaries, sister companies, partners, shareholders, members of its board of directors, executives or their relatives, own any shares or interest of any kind in the Company. The Market Consultant has given its written approval on the use of its name, the market information and data provided by it to the Company in the manner set out in this Prospectus, and such approval has not been withdrawn as of the date of this Prospectus

All data, analysis and research estimates in this Section are based on research work conducted between Q4 2020G and Q1 2021G including: (a) desk research to collect publicly available secondary sources of data, including statistics on macroeconomic indicators, demographics, consumption and production from entities such as the General Authority for Statistics (GASTAT), Saudi Arabian Monetary Agency (SAMA) and Aqar; (b) third-party service providers such as Oxford Economics (OE) and Middle East Economic Digest (MEED); and (c) Saudi Housing surveys undertaken by YouGov Plc UK, with final oversight by Knight Frank Middle East Ltd. The intent of the survey was to identify trends in residential preferences such as ideal location, typologies, prices, amenities, architectural styles and more. All sources were analysed and validated to build an industry consensus on market size and historic trends. It is noted that Retal Urban Development Company provided their sale schedule which was used to calculate their market share in each city.

The Company and its Directors believe that the information and data from other sources contained in this Prospectus, including those provided by the Market Consultant, are reliable. However, neither the Company nor the Directors, Managers, or other Advisors have independently checked or verified the accuracy or completeness of such information contained in this Section, and none of them shall assume any responsibility as to such information. Some of the data contained in this Section dates to 2018G and no updated data is available as of the date of this Prospectus in connection thereto.

3.1 The Kingdom's Macroeconomic Analysis

3.1.1 Socio-Economic Overview of Saudi Arabia

With a land area of approximately 2.15 million square kilometers, Saudi Arabia is the largest and most populous country in the Gulf region. The Kingdom is the powerhouse of the regional economy and is the only regional representative in the G20 group of leading global economies. Saudi Arabia holds approximately one fifth of the world's confirmed oil reserves, with the hydrocarbons sector generating the majority of the government's revenues.

In order for Saudi Arabia to diversify its economy away from oil, the government initiated the plan Vision 2030, and has set certain parameters and performance targets to help elevate the role of real estate sector in the economy of Saudi Arabia, while making it more attractive for the private sector investments. The government has set forth initiatives to help boost the real estate sector by facilitating certain aspects of the development process for both buyers and developers alike.

Table (3-1): Saudi Arabia Total GDP

	2016	2017	2018	2019	2020	2021	2022	2023	2024
GDP (SAR in Billions)	2,418	2,582	2,949	2,973	2,567	2,725	2,982	3,174	3,352

2025	2026	2027	2028	2029	2030
3,524	3,688	3,850	4,013	4,180	4,349

Source: General Authority for Statistics\Haver Analytics, Oxford Economics

Looking ahead, the forecast from Oxford Economics reveals that Saudi Arabia's economy is expected to return to growth territory this year. The region's largest economy is expected to see a GDP growth of 2.8% in 2021, up from 0.3% growth in 2019 before the pandemic. With more than 10 million doses of the coronavirus vaccine being administered as of 8 May 2021, Saudi Arabia has vaccinated nearly 29 percent of its population at a rate of 147,552 daily doses. This positive trend is likely to add further impetus to GDP growth and overall investor sentiment.

As global lockdowns came into effect, demand for oil plummeted and oil prices followed soon after. In an attempt to support oil prices, OPEC+ and its allies agreed to reduce production from May 2020, these cuts have since been extended to July 2020. This reduction in production has a material impact on Saudi Arabia's GDP, particularly given that its oil sector accounts for 40.2% of GDP.

Saudi Arabia's Purchasing Managers' Index (PMI), which tracks the country's private non-oil economy, indicating that both economic activity and business conditions has improved in Q4 2020, where the index registered an average reading of 54, a marked increase from the Q2 and Q3 average readings of 46.7 and 49.8 respectively.

Employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figures.

Regarding taxes, the recent decision to exempt real estate transactions from 15% VAT and the introduction of a lower 5% property tax has helped to boost activity in the residential market. The reduction was effectuated in Q3 2020 and is expected to continue to have a positive impact on deal levels, whilst also boosting homeownership rates. The latter is a key initiative in helping the government achieve its goal of 70% homeownership by 2030, up from 47% in 2016.

The Saudi Arabia's Thomson Reuters / IPSOS Consumer Confidence Index, January 2021 reading reveals a 5-point surge from the previous month to 65.2, the highest since January 2020. This jump is the largest month-on-month increase seen in most recent years. In parallel with Consumer Confidence Index, we have seen private sector loan growth regaining momentum.

Due to the many initiatives set forth by the government as part of Vision 2030, the real estate sector in Saudi Arabia has been stimulated, as many incentives and tax benefits are available for developers to develop housing to meet the need of the growing population. In addition, buyers now have access to an expanded mortgage market that makes it easier to take out a mortgage to finance the purchase of a home, thus switching from being a renter to a homeowner, a core objective of Vision 2030.

Table (3-2): Residential Mortgages Provided by Banks and Financial Institutions

	February 2021
Number of New Mortgage Contracts	26,800
Value Increase of Mortgages Since February 2020	38%
Total Value of Contracts	SAR 14 Billion
Villa Mortgage Loans' Share of Total	80%
Apartment Mortgage Loans' Share of Total	6%
Residential Land Mortgage Loans' Share of Total	4%

Source: Saudi Central Bank

According to data from the Saudi Central Bank, the value of new residential mortgages for individuals provided by banks and financial institutions increased by 38% in the 12 months to February 2021. Around 26,800 new contracts were recorded in February 2021, reaching a total value of more than SAR 14 billion, up 28% from February 2020. Of these 26,800 contracts, 97% were arranged by banks, whereas the rest of the contracts were provided by financial institutions. This is a strong indicator that access to home financing has improved which bodes well for real estate development companies. Villas accounted for the majority of mortgage contracts, proving that villas remain the preferred property type for buyers in Saudi Arabia.

3.1.2 National account (GDP)

According to provisional full year data published by the General Authority for Statistics (GaStat), Saudi Arabia's real GDP contracted by 4.1 percent in 2020 due to the global pandemic, compared to growth of 0.3 percent year-on-year in 2019. In 2020, the total GDP for Saudi Arabia stood at SAR 2,567 Billion, and is expected to grow to SAR 2,725 Billion in 2021 as the economy picks up after the pandemic.

Table (3-3): KSA GDP Oil and Non-Oil Sectors – SAR Billions

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Oil Sector	1,098	1,138	1,103	1,137	1,096	1,023			
Non-Oil Sector	1,425	1,428	1,446	1,478	1,527	1,491			
Total	2,545	2,587	2,568	2,631	2,639	2,532	2,604	2,709	2,785

Source: Macrobond

Saudi Arabia's non-oil sector performed remarkably well in December 2020, with the index hitting its highest reading since November 2019. This upturn in business activity has underpinned a stronger than expected GDP reading in Q4 2020, and as a result Saudi Arabia GDP in 2020 contracted less than the 5.4 percent rate forecast by the IMF.

Whilst there are material downside risk that may still impact economic activity in Saudi Arabia, most are unlikely to come to fruition and few are exogenous in nature. This underpins Saudi Arabia's 2021 GDP growth forecast of 3.1 percent, the strongest in the region.

Table (3-4): Saudi Arabia Oil and Non-Oil GDP Growth (%)

	2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Oil Sector	7.9	2.9	-2.1	0.1	0.6	8.0	6.2	2.1	5.8	0.1	4.0	4.4	-1.8	-1.5	-4.0	-4.7
Non-Oil Sector	4.9	4.4	5.9	4.1	4.0	3.2	2.9	2.6	0.3	0.5	-0.6	0.7	-0.1	-0.6	2.5	2.0

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Oil Sector	2.3	2.7	2.9	4.4	-0.7	-4.4	-5.8	-3.4	-4.6	-5.2	-8.1	-8.5
Non-Oil Sector	0.2	5.5	4.7	-1.4	4.0	-0.1	1.5	7.7	1.5	-8.1	-2.1	-0.8

Source: Macrobond

As a result of COVID-19, Saudi Arabia's both oil and non-oil sectors contracted substantially. First, as the global economy came to a halt, demand in the hydrocarbon sector effectively stalled, causing a supply glut and oil prices to plummet. This has had a substantial impact on Saudi Arabia oil sector GDP which contracted by 8.1 percent in Q3 2020.

Non-oil GDP growth has been gradually accelerating since 2016, reaching 3.3 percent in 2019, the highest level of growth since 2015. However, severe lockdown measures across Saudi Arabia, including the closure of international borders and tourism, has substantially impacted business activity, resulting in a contraction in non-oil sector GDP.

With this rate of economic growth, Saudi Arabia will remain below the average growth rate of c. 5 percent which was recorded between 2011 and 2015.

3.1.3 Population

Table (3-5): KSA Population

	2020	2025
Population (Millions)	35	38

Source: IMF

Based on the IMF forecasts, the population of Saudi Arabia is expected to reach 38 million in 2025, up from 35 million. With an average household size of 5.5, this will trigger demand for an additional 545,000 housing units. Saudi Arabia accounts for over 50 percent of the total population of the GCC and is more populous than any other GCC country.

Table (3-6): Population Segmentation by Region in 2019G

	Makkah Al Mokar-ramah	Riyadh	Eastern Province	Rest of KSA
Population Share	26%	25%	15%	66%

Source: Macrobond

The population segmentation by regions for 2019 shows that nearly 65 percent of the population of the Kingdom is concentrated in three provinces namely Makkah Al Mokarramah, Riyadh, and the Eastern Province which account for 26 percent, 25 percent and 15 percent of the country's population respectively. This bodes well for Retal as they are targeting to serve the three tier-1 cities of Riyadh, Jeddah and DMA.

Table (3-7): Population Breakdown 2020

	Saudi Nationals	Expatriates
Population Share	63%	37%
Population (Millions)	22.05	12.95

Source: Macrobond

Saudi Arabia's population is dominated by Saudi nationals, accounting for 63 percent of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term. Despite a changing demographic profile entailing a 3 times increase in the 60s age cohorts between 2020 and 2035, Saudi Arabia will remain amongst the youngest countries in the GCC.

3.1.4 Demographic

Saudi's new generation exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

Table (3-8): Number of Households (Millions)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Household Number (Millions)	6.80	6.91	7.03	7.15	7.27	7.39	7.52	7.65	7.78	7.91	8.04

Source: Oxford Economics

Total number of households in Saudi Arabia is estimated at roughly 6.8 million in 2020 according to Oxford Economics. The yearly average growth in number of household is set to slow to 1.7 percent per annum between 2020 and 2030 according to Oxford Economics down from 2.9 percent between 2010 and 2020.

Table (3-9): KSA Average Household Size

	2020	2030
Average Household Size	5.52	5.45

Source: Oxford Economics

The average household size in Saudi Arabia stood at 5.52 individuals in 2020 according to Oxford Economics. While the average household size for Saudi households stands just over 6.0, the average household size for non-Saudis is closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.45 in 2030.

Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

Table (3-10): KSA Age Breakdown

	0 - 25 Years Old	26 - 64 Years Old	65+ Years Old
Share of Population	39.2%	57.5%	3.2%

Source: Macrobond

The population of Saudi Arabia that depicts the age structure of the Saudi and Non-Saudi population based on the preliminary 2018 data, highlights the fact that approximately 39.2 percent of the population were aged between 0 and 25 years, about 57.5 percent were aged between 25 and 64 years and 3.2 percent were aged above 65 years

When looking at the age structure of the Saudi population, the share of the population aged between 0 and 25 years rises to 49 percent, highlighting the young demographic profile of the Saudi population, a key driver to consumer market growth. It is expected that population dynamics are expected to shift in Saudi Arabia over the next decades, which will entail a significant increase in the population over 40.

3.1.5 Household income

The proportion of low household incomes in Riyadh below SAR 11,000 per month is expected to decline between 2020 and 2030 reaching 39.3%, down from 41.6%. This bodes well for demand for real estate going forward.

Household income is a key determinant of affordability and consumer spending patterns: Average household personal disposable income in Saudi Arabia stood at c. SAR 259,687 in 2020. Between 2010 and 2020, the average household personal disposable income increased at a CAGR of 0.7%. It is expected that this growth momentum will slow down to 0.3% between 2020 and 2030.

The number of households in Saudi Arabia currently (2020) stands at approximately 6.52 million and is expected to grow to 8.06 million by 2030. In 2020, 58.4% of households in Riyadh were within income bands above USD 35,000 and this share is expected to increase going forward, reaching 60.7% in 2030. 41.6% of households were in the lower income bands - below USD 35,000. This proportion of household income band is expected to witness a decrease between 2020 and 2030 reaching 39.3%. This is a positive trend, from the perspective of consumer spending and demand for real estate in the city.

3.1.6 Housing demand – Vision 2030

Involvement of the private sector in the development of affordable housing is one of the main objectives of the Vision 2030 housing program. It aims to do the following:

First, increase housing supply by regulating population density and redevelop city centres to enhance the efficiency of land utilisation. Also, allowing private developers to construct on Government land allocated for affordable housing. In addition, incentivise the use of advanced building and construction technologies to help bring down construction costs and time, and encourage Public Private Partnerships (PPP) programs in Real Estate.

Second, enable demand by attracting beneficiaries to the program by offering a home at a price affordable to them, while also activating institutional housing programs to assist beneficiaries working in the public sector. In addition, helping channel finance at a lower cost to the beneficiaries through The Real Estate Development Fund (REDF) and help establish a mortgage market through the creation of the Saudi Real Estate Refinance Company (SRC).

Third, regulate the housing sector by regulating the real estate sector through enabling and regulating off-plan sale, in addition to regulating the process of joint ownership of real estate. In addition, streamlining the process of acquiring the various development permits through the activation of the Developers Services Centre (Etmam), to help save time and money.

Table (3-11): Vision 2030 Metrics

Performance Indicator	2020 targets	Baseline	Impact
Saudi home ownership rate (Calculated by dividing the number of Saudi owned homes by the total number of Saudi households)	60 percent	47 percent in 2016	Enhance housing demand
Average residential unit price to average annual income per capita	5 X annual income	9.9X in 2015	Enhance affordability of residential units
Total outstanding real estate loans (mortgages)	SAR 502 bn	SAR 290 bn in 2017	Enhance retail residential real estate financing
Beneficiary Satisfaction Rate (Measures satisfaction of housing program beneficiaries, including quality of units and funding provided, ease of procedures, level of transparency, and beneficiary services)	70 percent	43 percent in 2017	Enhance quality of homes
Real Estate Sector Strength Index (Indicates strength of real estate sector based on internal and global indicators (ease of doing business) including availability of sector information and indicators, ratio of important legislation in force, indicators of property registration and access to credit, and contract enforcement)	85 percent	43.8 percent in 2017	Enhance real estate sector attractiveness
Real estate sector growth	7 percent	3.6 percent in 2017	Attract private investments

Source: Vision 2030

Regulatory efforts such as the white land tax and the mortgage law, display clear intent from the government to engage with the issues facing the residential market.

Table (3-12): Government Initiatives Timeline

Selected Government Initiatives In Relation To The Real Estate Sector	
June 2016	White Land Tax: Release of regulations governing the introduction of a white land tax.
November 2016	REITs Regulations: Approval of regulations for the use and listings of REITs.
January 2017	LTV Ratio: Increase of the LTV ratio for first time home buyers.
February 2017	Sakani Phase 1: Launch of the Sakani program by the Ministry of Municipal & Rural Affairs & Housing (MOMRAH).
May 2017	Wafi Program: Launch of the Wafi online program.
October 2017	Saudi Real Estate Refinance Company: Creation of the Saudi Real Estate refinance Company (SRC).
January 2018	Sakani Phase 2: Launch of the 2nd phase of the Sakani program.
January 2018	LTV Ratio: Increase of the LTV ratio from 85% to 90% for residential financing.
February 2018	Ejar System: Launch by MOMRAH of the electronic Ejar system to regulate the rental market.
August 2018	Fixed Rate Mortgages: Introduction of new long-term fixed rate mortgages, an initiative by the SRC.
January 2019	Sakani Phase 3: Launch of the 3rd phase of the Sakani program.

Source: MOMRAH, Knight Frank, Vision 2030

Government regulations set by the Kingdom are designed to stimulate the Real Estate Market by facilitating the process for both developers and buyers. These initiatives are considered a game-changer for Vision 2030, as Real Estate is a significant aspect of that vision.

REIT regulations are a step towards a more transparent market, a key factor when it comes to institutionalising the market and attracting international capital to the sector. From a macro perspective, the introduction of REITs falls in line with the broader goals of Saudi Vision 2030 and the National Transformation Plan (NTP) which aim to stimulate the real estate sector and increase its contribution to the overall GDP, while encouraging private sector participation in this process.

Wafi is a platform developed by the Ministry of Municipal & Rural Affairs & Housing to enable developers to sell off-plan units and protect buyers in case the developer does not perform. The role of the program includes the licensing and follow-up of the projects in terms of rate of achievement and quality to be able to identify the real estate developers which are able to create high quality projects.

Ejar is designed to organize the relationship between the parties of the leasing process (tenant, landlord and real estate broker), and includes a set of integrated e-services that will contribute to adding transparency to the leasing sector and preserve the rights of all parties involved in the standard contract for residential leasing.

The Sakani program (2017 - Ongoing) is a scheme by the Ministry of Municipal & Rural Affairs & Housing, launched in early 2017, that aims to ensure housing for all through the distribution of affordable housing & financing products to Saudi nationals. The aim is to provide high quality residential units to citizens at affordable prices.

The key objectives of the program are to get Saudi nationals on the property ladder, increase the rate of homeownership among Saudis, and respond to the rising housing affordability challenge.

The type of products offered are subsidised mortgage loans, cost free land plots, and residential units (under construction and completed).

There has been 580,000 products allocated in 2017 and 2018 across the various regions, as well as 200,000 products allocated in 2019 across the various regions.

Regarding eligibility, the Sakani program is based on financial, social health and other criteria in order to achieve social balance in the provision of housing. The priority between the applicants depends on a "**point system**" based on factors such as the household size, the age of the applicant and the family income.

As the rate of urbanisation continues to increase, the issue of affordable housing is likely to escalate. However, the government is actively looking to ease these pressures with the roll out of the Sakani program and various initiatives to expand the mortgage market.

Whilst the program is in its early stages, waiting lists for products have reduced significantly over the past two years. Challenges still remain around suitable locations for land plots, quality of development and the bankability of beneficiaries.

Boosting home ownership and growing the mortgage market are two key initiatives aimed at reforming the residential market supported by the Real Estate Development Fund (REDF) and the Saudi Refinance Company (SRC).

Table (3-13): Vision 2030 Real Estate Sector

Selected Vision 2030 and NTP Targets In Relation With The Real Estate Sector	
Real Estate Sector Growth	Increase the real estate sector growth to 7% per annum up from 4% per annum.
Private Sector Role In Diversification	Increase the private sector's contribution from 40% to 65% of GDP with particular focus on energy, healthcare, housing, and municipal services.
Real Estate Contribution To GDP %	Double the real estate contribution to GDP from 5% to reach 10% by 2030.

Source: MOMRAH, Knight Frank, Vision 2030

Table (3-14): Housing Sector Government Targets

Selected Government Targets In Relation With The Housing Sector	
Privatisation	Establish PPPs to develop government land for housing projects and fast-track licenses and special packages to encourage private sector investments in housing projects.
Saudi Home Ownership	Increase the rate of house ownership among Saudi households to 70% by 2030.
Mortgage Market	Increase the size of the mortgage market.

Source: MOMRAH, Knight Frank, Vision 2030

The real estate sector is a particular area of focus of the economic reform plans as part of the diversification process, where both the public and the private sectors are encouraged to take a role in ensuring the growth of the property market. Housing is one of the biggest areas of spending under the NTP with an allocated budget of SAR 59-billion over five years.

The aim of REDF and SRC is to strengthen the home finance market through offering a broader range of options and products.

The Saudi Real Estate Refinance Company aims to act as an enabler of the home mortgage market by refinancing 20% of the Kingdom's primary home loan market.

The REDF is set up to extend home financing to various categories of beneficiaries, with a focus on funding the quasi bankable and non-bankable beneficiaries and will enhance unit uptake.

Real Estate Development Fund ("REDF") – the fund was set up to improve the efficiency of spending to support real estate finance sector through cooperation with the banking sector and real estate financing companies. The fund also provides technical and engineering support to maintain commitments and development for the sustainability of invested assets.

Table (3-15): Housing Sector Government Targets

	Bankable Middle to High Income (15%)	Quasi-Bankable (32%)	Non-Bankable Low to Middle Income (38%)	Low Income (10%)	Special Category (5%)
Enabling Demand	• Subsidized interest • Guarantees for specific segments	• Advance payments and financial guarantee • Interest subsidy	• Renovation/ Restoration loans • Rent to own • Finance Package	• Usufruct right • Renovation/ Restoration loan • Rent subsidy	• Usufruct right • Rental subsidy
Facilitating Supply	• PPP projects • Self-Construction • Ready units from the market	• PPP projects • Self-construction • Ready units from the market	• Existing stock • Low cost units	• Social housing • Rental units from the market	• Developmental housing • REDF rental units

Source: Invest Saudi, Knight Frank

Introduced in April 2016, Vision 2030 was directed at diversifying and expanding the economy from its current focus on oil. A key focus point is on developing the real estate sector.

The aim of the Sakani Program is to provide high quality residential units to citizens at affordable prices. It was created as a response to the rising housing affordability challenge.

Boosting home ownership and growing the mortgage market are two key initiatives aimed at reforming the residential market supported by the Real Estate Development Fund (REDF) and the Saudi Refinance Company (SRC).The REDF has been established to extend home financing to various categories of beneficiaries, with a focus on funding the quasi bankable and non-bankable beneficiaries and will enhance unit uptake.

In conclusion, regulatory efforts such as the white land tax and the mortgage law, display clear intent from the government to engage with the issues facing the residential market.

The Government aims to enhance home ownership by making homes more affordable for their citizens, especially the most deprived sections of the society. It does this by increasing the participation of the private sector by providing incentives to enable them to efficiently develop homes at an affordable price.

3.1.7 Government regulations

MOMRAH introduced initiatives to boost the real estate market by providing incentives to both buyers and developers to participate in the market. These initiatives have increased home ownership rates as well developments in recent years, in line with vision 2030:

3.1.7.1 Ejari

Ejari is an integrated system that aims to develop the housing and real estate sector in the Kingdom in a balanced manner by finding sustainable solutions to the challenges of the real estate market that preserves the rights of all parties involved in the standard contract for residential leasing.

Ejari is designed to organize the relationship between the parties of the leasing process (tenant, landlord and real estate broker), which includes a set of integrated e-services that will contribute to creating the leasing sector with transparency, trust and impartiality. The program's objectives are fivefold: First, Reserve the rights of the leasing process parties (tenant, landlord, real estate broker); second, form unified tenancy contracts that meet the beneficiaries' needs; third, qualify and license the real estate brokerage facilities and set policies and regulatory actions; fourth, reduce the number of tenancy-related cases; and fifth, improve the performance of the real estate sector and raise its contribution to the GDP.

3.1.7.2 Sharakat

Under the Sharakat scheme the MOMRAH forms partnerships with the private sector to develop affordable homes. A number of incentives are offered to the developers through these programs.

Table (3-16): Overview of Government Initiatives

Name	Purpose	Description
Sharakat	Regulates the supply of homes	Sharakat enters into PPP engagements with the private sector to meet the growing need of affordable housing I exchange for financial and regulatory incentives.
Sakani	Marketing services	Sakani matches MOMRAH beneficiaries with affordable housing units. Sakani also manages sales and marketing of affiliated private and non-private real estate developments.
Wafi	Certifies and regulates off-plan sales	In order to build MOMRAH affordable housing, a developer must complete Wafi certification. Wafi also regulates the off-plan sales market.
Etmam	Liaisons to assist developers get all approvals	Etmam is the liaison between a developer and all relevant regulatory bodies across Ministries. Etmam assists in navigating the certification processes at all stages, residential or otherwise.

Source: Knight Frank

The Ministry of Municipal & Rural Affairs & Housing has launched the Sharakat program with the objective of developing efficiencies, by leveraging operational efficiencies and investments of the private sector in the affordable housing sector.

The program is designed to achieve the objective of providing a social benefit of housing to the right people at a price they can afford, by leveraging on the efficiencies and up-to-date business practices of the private sector.

Both Ministry of Municipal & Rural Affairs & Housing ("**MOMRAH**") and the private developers bring their strengths under the Sharakat Program: MOMRAH provides incentives (financial and regulatory) to reduce the investments and enhance returns for the private sector. The program proved to be successful, with Retal selling 700 units of Nesaj Town project in Riyadh in under 96 hours since launching sales. These types of accomplishments prompted MOMRAH to recognize Retal as the best developer in KSA for two consecutive years in 2019 and 2020.

In order to incentivise the buyers to opt for homes under the Ministry of Municipal & Rural Affairs & Housing program, certain financial benefits are offered to buyers, including down payment assistance and interest free loans:

Down Payment Subsidy Program

A program by REDF to assist the beneficiary with interest free financial support on payment of a down payment of 10 to 20 percent (max. of SAR 140,000) of the value of the house, depending on family income and size for citizens over 45 years of age, with a salary less than SAR 14,000 per month.

Interest Free Loans

Certain developments are incentivised by the Ministry of Municipal & Rural Affairs & Housing, and the beneficiaries opting for these developments are offered interest free loans of up to SAR 500,000.

Financial Guarantee

Provision of real estate funding guarantee to enable quasi-bankable beneficiaries' access funds to buy their home. This initiative supports applicants in remote areas and retirees as well.

The B2C programs indirectly assist developers by providing support for their customers (buyers of residential units) in affordable housing schemes. In September 2016, resolution No. 56 concerning the regulations on the sale and lease of off-plan properties was implemented by the Council of Ministers with the aim to regulate the market and provide more benefits to both developers and buyers/investors.

The protection of the purchasers and the tenant are enabled through the following mechanisms: Providing a separate escrow account for each project, supervision of the engineering consultant and regular audits of the project, and regular site visits.

3.2 KSA Housing Overview

There has been a significant recovery in real estate loans during the last couple of years as a result of the various government initiatives aimed at boosting the residential property market.

While the government initiatives at boosting the property market were successful as seen in the 54% increase in the number of transactions in 2019 and Q1 2020, the pandemic impacted the momentum. However, Q1 2021 has seen growth in transactions.

As much as 52% of the current home owners in KSA are planning to purchase a new primary residence in the next 10 years. Nearly 50% of respondents say that their number one motivation to move is to purchase a nicer property.

37% of the respondents indicated that their budget would allow them to purchase a home at a ticket price of up to SAR 750,000; a further 47% of respondents indicated that their target ticket price would be between SAR 750,000 to SAR 2 Million.

Based on projections by the Ministry of Municipal & Rural Affairs & Housing (MOMRAH) as well as statements by the crown prince, cumulative demand for housing will reach 4 million across Saudi Arabia with a significant increase in demand in several cities.

Knight Frank conducted an affordability analysis using data from MOMRAH and Oxford Economics, along with income statistics to arrive at a breakdown of the demand of 4 million units by 2030.

Based on the total demand estimate from the Ministry of Municipal & Rural Affairs & Housing minus the housing projects which have already been commissioned, the remaining gap for housing amounts to 2.0 million units until 2030. This represents a substantial opportunity for real estate developers across the Kingdom but especially in Riyadh which accounts for more than 20% of the total.

There has been a significant recovery in real estate loans during the last couple of years as a result of the various government initiatives aimed at boosting the residential property market.

Table (3-17): Residential new mortgage finance for individuals by banks and financial institutions – Saudi Arabia – Yearly data

	2016	2017	2018	2019	2020
SAR Millions	14,930	18,923	27,015	73,858	136,199

Source: Ministry of Justice

Table (3-18): Residential new mortgage finance for individuals by banks and financial institutions – Saudi Arabia – Quarterly data

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SAR Millions	5,963	5,690	5,650	9,707	13,854	15,273	18,223	26,508	31,176	28,561	33,635	42,827

Source: Ministry of Justice

Data from the Saudi Arabian Monetary Authority (SAMA) highlights that the growth of real estate retail loans started decelerating between 2015 and 2017, with the annual growth rate dropping to the 8%-10% range, down from significantly higher growth rates between 2010 and 2014.

Despite the slowdown, bank credit to the retail real state sector expanded more vigorously than the overall credit growth, which remained muted between 2016 and 2018.

We have seen a significant recovery in retail real estate loans in 2019 and 2020, where loans provided by banks surged by 41% in 2019 and by 59% in 2020. This can be attributed to the various government initiatives aimed at boosting the residential property market in the Kingdom and pushing the availability of housing to Saudi nationals, both through developing affordable housing and issuing various finance/mortgage schemes to facilitate lending.

More so, significant growth has been recorded in the residential new mortgage financing for individuals provided by banks and financial institutions since it started in 2018. According to the Saudi Arabia Monetary Authority (SAMA), residential new mortgage loans issued by banks and financial institutions reached SAR 44 billion in Q4 2020 compared to SAR 28 billion in Q4 2019, registering an increase of 56% year-on-year.

The Saudi Real Estate Refinance Company has purchased a portfolio of mortgages worth over SAR 3 billion in July 2020. The move aims to provide additional liquidity to the market, allowing for additional loans to be issued in order to increase home ownership rate across the Kingdom.

According to Sharakat and Sakani programs, there is no significant impact over sales volume due to the COVID-19 pandemic. In addition, Retal reacted to the lockdown by introducing a virtual sale centre online with a high degree of interaction and customization.

Table (3-19): Number of KSA Residential Transactions

KSA Residential Transactions								
	2013	2014	2015	2016	2017	2018	2019	2020
Number of residential transactions	251,795	274,067	256,489	189,649	203,069	188,100	288,936	246,674
YoY Change %		9%	-6%	-26%	7%	-7%	54%	-15%

Source: Ministry of Justice

Table (3-20): Value of KSA Residential Transactions

KSA Residential Transactions								
	2013	2014	2015	2016	2017	2018	2019	2020
Value of residential transactions (in Billions)	276	294	227	158	147	101	137	115
YoY Change %		6%	-23%	-31%	-7%	-31%	36%	-16%

Source: Ministry of Justice

In Saudi Arabia, residential transaction volumes and values have been under pressure since 2015. The trend towards a weaker residential market was initially triggered by the economic slowdown that was felt in 2016. Negative consumer sentiment and subdued growth in household income has undermined consumer spending, and in turn, residential transactions metrics.

A combination of factors have prolonged the downturn, namely the departure of expatriates from the Kingdom starting 2017, prompting nationals to adopt a "**wait and see**" approach, postponing their purchases amidst an ongoing decline in property prices across the city.

Other factors, such as rising affordability pressures and the lack of suitable supply aimed at middle and lower tier buyers, continue to pose systemic challenges in the residential market, prolonging its downturn.

However, the year 2019 recorded a significant 54% increase in the number of transactions, while the value of transactions recorded a 36% increase over the same period. This trend has been driven by government backed efforts to expand the mortgage market, the delivery of large scale housing schemes and improving consumer sentiment.

Official statistics from the Ministry of Justice (MOJ) revealed that the positive trend started in 2019 and continued in the first quarter of 2020. However, due to severe lockdown measures enacted to counteract COVID-19, business activity have been slightly impacted across the county. However, Retal escaped the pressures of the pandemic by launching its virtual sale centre online with a high degree of interaction and customization, which is unique in the Saudi market.

Knight Frank conducted an affordability analysis using the data from Ministry of Municipal & Rural Affairs & Housing and oxford economics to arrive at a breakdown of the demand of 4 million units by 2030, which was estimated by the Crown Prince.

Based on data from Oxford economics and MOMRAH, we can estimate the demand for housing based on their affordability.

With a total of 4 million units in demand by 2030, the breakdown consists of the following:

Table (3-21): Breakdown of Annual Income to Sustain a House

House Price	Up to SAR 750,000	SAR 750,000 to SAR 1.2 Million	SAR 1.2 Million to 2 Million	SAR 2 Million +
Annual Income To Sustain Cost	SAR 125,000	SAR 125,000 to SAR 286,000	SAR 286,000 to SAR 478,000	SAR 478,000 +
Demand (%)	31%	43%	19%	7%
Demand (Units)	1,240,000	1,720,000	760,000	280,000
Type (Affordability)	MOMRAH		Medium	Upscale

Source: MOMRAH, Oxford Economics, Knight Frank

The majority of the upcoming stock in the major metropolitan areas is associated with the MOMRAH schemes (ticket price under SAR 1.2-Million). This trend is in line with Vision 2030 and the objective to reach 70% home ownership in the next 10 years. The mid-market segment (ticket price between SAR 1.2-Million and SAR 2-Million) is developing at a slower rate. While the upscale category has a low share in the total numbers it does not mean that there is no development activity in this market segment. A significant number of higher income Saudis prefer to purchase land and develop their own villas. In addition, the bulk of PIF-related development activity, which has been announced but not yet quantified by government data points, is targeting the upscale category and is not included in the above analysis due to lack of clear data points. Therefore the 'likely" percentage of upcoming stock in the upscale category, is estimated at closer to 10% of the total.

3.3 Real Estate Development sector in Dammam Metropolitan Area

3.3.1 Overview

3.3.1.1 ECONOMIC OUTLOOK

The Eastern Province is heavily reliant on the hydrocarbon sector. Given its reliance on Hydrocarbon sector Eastern Province economy is expected to be particularly impacted by the economic fallout resulting from the COVID-19 pandemic. As demand in the hydrocarbon sector effectively stalled, causing a supply glut and oil prices to plummet. Moreover, non-oil private-sector activity has also taken a hit as Eastern Province enacted severe lockdown measures to counteract COVID-19. This included a 24-hour lockdown and the closure of Saudi Arabia's borders, both inter-cities and international.

3.3.1.2 TOURISM AND REAL ESTATE

Tourism, both business and leisure, and real estate in particular are seen as areas with great potential in the economic diversification process of the Eastern Province.

3.3.1.3 MINING INDUSTRY

A central aim of Vision 2030 is to expand the Kingdom's mining industry with a growth target of SAR 97 billion, and 90,000 jobs. The Eastern province is likely to play a significant role in the expansion of this industry.

3.3.1.4 ECONOMIC CITIES

A key pillar of government plans is the development of "**economic cites**", one of which will be located in the Eastern Province that initiated around USD 70 billion of investment. The establishment of these cites should lessen the region's vulnerability to oil price fluctuations.

3.3.1.5 PRIVATISATION

Economic reform programs aimed at encouraging private sector participation in the non-oil economy are set to further support economic growth in the region.

3.3.1.6 KING SALMAN ENERGY PARK

The Eastern Province will continue to be the focal point of Saudi Arabia's strategy to maintain its dominance in the global energy market. One of the largest energy project in the Eastern Province is the Kind Salman Energy Park (SPARK) to be undertaken by Saudi Aramco. It is estimated that the energy park will contribute SAR 22.5 billion to the national GDP annually once fully developed by 2035.

3.3.1.7 EXPANSION

Dammam and Khobar have seen a steady growth in their urban limits over the past five years. In Dammam majority of developments are currently taking place towards the west. In Khobar the majority of developments are taking place in a southern direction due to the availability of land in locations further away from the city centre. We view the large housing schemes launched by the MOMRAH under Sakani as a positive step in addressing the shortage of housing in the mid-to-lower end of the market, which has been traditionally overlooked by developers due to lower margins.

3.3.1.8 PERFORMANCE

In 2020, residential market in DMA registered fragmented performance. Despite the decline in transaction volumes, residential sales prices have remained relatively resilient. The average sale prices for villas in DMA decreased by 1.2% YoY, albeit at a slower rate compare to the previous years. Whereas apartment sale prices increased by 2.5% YoY over the same period. This trend has been driven by various government initiatives such as the expansion of the mortgage market and increased private sector participation in the housing market.

As of Q1 2021, DMA's housing stock is estimated to total 342,753 units. This total is expected to increase to 416,907 units by the end of 2030. The majority of this incoming supply comprises high quality villas. With demand reaching 697,271 units in 2030, the market gap in DMA is expected to reach 208,364 units.

Table (3-22): DMA Population

	2020	2030
Population	3,040,000	3,730,000

Source: Population Statistics

DMA's population is expected to grow at a CAGR of 2% from 2020 to 2030, increasing from 3.04 million residents to about 3.73 million. This increase in the population coupled with incentives introduced by the government to boost homeownership rates among Saudi nationals from around 60% currently to 70% will generate demand for housing in the city: with an average household size of 5.47, this equates to a demand of more than 697,271 housing units by 2030.

Table (3-23): DMA Villa and Apartment Sales Price and YoY % Change as of Q1 2021

	Villa	Apartment
Sales Price (SAR/sqm)	3,253	3,045
YoY Change (%)	-7.9%	3.2%

Source: Knight Frank

In DMA, villas are the most aspirational housing typology, according to YouGov.

Young people tend to rent apartments because they believe they cannot afford to purchase a residence (either apartment or villa), however the government has put in place initiatives to try and boost the mortgage market, which will help mitigate that problem.

It is important to note that given income levels are higher in DMA than in Riyadh and Jeddah, the percentage of total income spent on housing is low (mostly below 30%), which leaves room for the mid and high-end markets to flourish.

The YoY % change in the volume of all residential transactions as of Q1 2021 (includes land and all other residential sub-assets) is 11%, while the YoY % change in the value of all residential transactions as of Q1 2021 (includes land and all other residential sub-assets) is 24%

In the year to Q1 2021, residential market performance remained fragmented in the Dammam Metropolitan Area (DMA), where residential apartment sales prices increased on average by 3.2% to SAR 2,045 per sqm, whereas average residential villa sales prices fell by 7.9% to SAR 3,253 per sqm.

Over this period, the volume of residential transactions rose by 11%, whilst the total value of residential transactions increased by 24%, a trend underpinned by the delivery of affordable housing units through the Sakani program and continued efforts by the government to expand the mortgage market.

As of Q4 2020, the DMA's housing stock is estimated to total 336,190 units. This total is expected to increase to 358,073 units by the end of 2023. The majority of this incoming supply comprises high quality villas.

DMA's population is expected to grow at a CAGR of 2% from 2020 to 2030, increasing from 3.04 million residents to about 3.73 million. This increase in the population will generate demand for housing in the city: with an average household size of 5.47, this equates to a demand of more than 120,000 additional housing units by 2030

The biggest residential projects currently in execution occupy the low-end single-use market, with little room to compete.

In DMA, villas are the most aspirational housing typology, however, according to the YouGov survey, it is evident that apartments are rising in popularity as well, however not as much as in Jeddah and Riyadh.

In order for people to take up apartments rather than the more popular villa, the property needs to come with its advantages. The most important factors that come into play for deciding on an apartment in DMA are the presence of plenty of green spaces as well as having good schools nearby.

With the high end residential real estate market largely being covered by Diriyah Gate and PIF developers, the opportunity is mainly in the affordable and mid-market segments.

3.3.2 Housing supply

It is estimated that 141,000 additional households will be formed in Eastern Province between 2020 and 2030.

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

The average household size in Saudi Arabia stood at 5.52 individuals in 2020, whereas this figure is slightly lower for Eastern Province at an average of 5.47 people per household.

Usually, changes within average household sizes tend to be gradual, therefore the average household size for Eastern Province combing Saudi and non-Saudi households is expected to reach to 5.35 individuals by 2030.

Table (3-24): DMA Household Number (Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023
Number of Households	493	544	536	539	556	558	577	593

2024	2025	2026	2027	2028	2029	2030
610	625	641	655	670	683	697

Source: Macrobond

Total number of households in Eastern Province stood at c. 556,075 in 2020. Between 2010 and 2020, the number of households increased at a CAGR of 3.9%. This growth momentum is expected to slow to 2.3% between 2020 and 2030, driving the total number of households to reach an estimated 697,074 by 2030.

3.3.3 Housing demand

Residential market in DMA registered fragmented performance in 2020, with the number of residential transactions decreased by 12% YoY, while the value of residential transactions increased by 11% over the same period.

Table (3-25): Number of DMA Residential Transactions

	2013	2014	2015	2016	2017	2018	2019	2020
Number of residential transactions	18,012	14,242	12,539	9,329	8,825	7,871	10,284	9,385
YoY Change %		-21%	-12%	-26%	-5%	-11%	31%	-9%

Source: Ministry of Justice

Table (3-26): Value of DMA Residential Transactions

	2013	2014	2015	2016	2017	2018	2019	2020
Value of residential transactions (in million)	27,454	24,906	19,906	14,911	13,518	8,373	8,394	9,920
YoY Change %		-9%	-23%	-22%	-9%	-38%	0%	18%

Source: Ministry of Justice

Residential transaction volumes have been on a downward trajectory in the Dammam Metropolitan Area (DMA) for the past few years. In 2018, the number of residential transactions decreased by a 12 percent. The yearly value of residential transactions in the DMA has been falling for several consecutive years. In 2018 we saw a significant 34 percent decline in transaction values. However, this trend was reversed in 2019, where the number of residential transactions increased by 27% YoY, while the value of transactions saw a marginal decrease of 1.0% over the same period.

The trend towards a weaker residential market was initially triggered by the economic slowdown that started to be felt in 2016. Negative consumer sentiment and subdued growth in household's income has undermined consumer spending and in turn residential transactions metrics. The recent decision to exempt real estate transactions from 15% VAT and the introduction of a lower property tax will help to boost activity in the residential market. The introduction of a dedicated property tax will be beneficial to end-users and developers, and help the government achieve its aim of increased level of homeownership and private participation in the real estate sector.

3.3.4 Villa & apartment historical sales prices

Pre-pandemic, we saw prices stabilise across many cities in Saudi Arabia and this trend appears to be continuing despite the economic headwinds that Saudi Arabia faces.

Table (3-27): Apartment Sales Prices DMA

	2015	2016	2017	2018	2019	2020
SAR/sqm	3,367	3,291	3,089	2,904	2,850	2,927
YoY Change		-2%	-6%	-6%	-2%	3%

Source: Aqar, Knight Frank

Table (3-28): Villa Sales Prices DMA

	2015	2016	2017	2018	2019	2020
SAR/sqm	3,717	3,717	3,609	3,484	3,427	3,386
YoY Change		0%	-3%	-3%	-2%	-1%

Source: Aqar, Knight Frank

In 2019, residential sale prices continued to soften in DMA, where average sale prices for villas decreased by 2.0% YoY compared to a 3.0%. While the apartment sale prices fell by 2.0% YoY over the same period.

However, in 2020, residential market in DMA registered fragmented performance. Despite the decline in transaction volumes, residential sales prices have remained relatively resilient. The average sale prices for villas in DMA decreased by 1.2% YoY, albeit at a slower rate compare to the previous years. Whereas apartment sale prices increased by 2.5% YoY over the same period. This trend has been driven by various government initiatives such as the expansion of the mortgage market and increased private sector participation in the housing market.

Saudi Arabia's residential market has been a key point of focus for government initiatives over recent years with a range of regulatory, finance and supply side reforms enacted which aimed to underpin activity in this sector.

3.3.5 Hospitality overview

3.3.5.1 Demand

Hotel demand in DMA primarily consists of corporate demand, typically from expatriates working in the hydrocarbon sector. Leisure demand is characterised by Saudi nationals and expatriates travelling during school holidays and weekends, primarily staying in Half Moon Bay. To date, corporate demand dominates; however, leisure demand is expected to increase on the back of government initiatives in line with Vison 20230.

3.3.5.2 Current Supply

The total quality hotel supply within DMA consists of 8,623 rooms. The 4-Star hotel segment comprises the largest share with 46 percent of the total room supply, followed by the 5-Star segment accounting for 33 percent. The 3-Star and serviced apartment segments consist of a minor share of 11 percent and 11 percent, respectively, of the total room supply. 76 percent of the total rooms supply in DMA is accounted for by hotels located in Khobar and Dhahran sub-markets, while the remaining 24 percent competes in Dammam.

3.3.5.3 Demand – Supply Projections

We anticipate the Covid-19 outbreak to disrupt the market in the short term, however our forecast for the medium to long term remains unchanged. Our demand projections account for a 5 percent decline in both 2021 and 2022 (ultimately, Covid-19 has had a minimal impact on the DMA hospitality market). Given our projections coupled with a 70 percent occupancy threshold, the market is estimated to witness an oversupply of 353 rooms in 2025.

3.3.5.4 Supply Evolution

The quality hospitality market in DMA (all hotel establishments) recorded an annual growth rate of 4.5 percent over the last 11 years (2010 to 2020) and 6.6 percent over the last 5 years (2016-2020); an increase in growth. Over the next 5 years (2021-2025), the market is expected to continue to grow at a faster pace compared to historical figures with an annual growth rate of 7.8 percent.

3.3.5.5 KPIs

In 2020, occupancy declined y-o-y by 3 percentage points, while ADRs grew by 1 percent resulting in a RevPAR decline of 3 percent to USD 61 (SAR 230). This was attributable to the impact of COVID-19 on the hospitality and tourism sector. Despite the Covid-19 outbreak, YTD March 2021 witnessed a y-o-y marginal decrease in occupancy by 0.2 percentage points and a 5 percent increase in ADR. As a result, RevPAR increased by 5 percent to USD 65 (SAR 243).

3.3.5.6 Outlook

Despite RevPAR facing downward pressure as a result of softening oil prices over the last few years and more recently due to the Covid-19 outbreak, we expect the hospitality sector to recover over the midterm as DMA remains a focal point for future business and tourism growth, supported by governmental infrastructure and tourism investments in line with Vision 2030.

Table (3-29): DMA Composition of Current and Future Supply:

Total supply DMA Year end 2020: 8,623 rooms	
5-Star	33%
4-Star	46%
3-Star	11%
Serviced Apartments	10%
Khobar and Dhahran Year end 2020: 6,572 rooms	
5-Star	39%
4-Star	44%
3-Star	8%
Serviced Apartments	9%
Dammam Year end 2020: 2,051 rooms	
5-Star	14%
4-Star	53%
3-Star	18%
Serviced Apartments	15%
Total supply DMA Year end 2025: 12,805 rooms	
5-Star	32%
4-Star	42%
3-Star	11%
Serviced Apartments	15%

Source: Knight Frank, STR Global

As of year-end 2020, the total quality hotel supply within DMA consists of 8,623 rooms. The 4-Star hotel segment comprises the largest share with 46 percent of the total room supply, followed by the 5-Star segment accounting for 33 percent. The 3-Star and serviced apartment segments consist of a minor share of 11 percent and 11 percent, respectively, of the total room supply.

Khobar and Dhahran follows a similar pattern to market wide figures featuring a higher proportion of 5-Star and 4-Star rooms at 39 and 44 percent, respectively. Combined, the 3-Star and serviced apartment segments account for 17 percent of the total room supply.

76 percent of the total rooms supply in DMA is accounted for by hotels located in Khobar and Dhahran sub-markets, while the remaining 24 percent competes in Dammam. This is primarily attributed to higher visitation numbers (both leisure and corporate) traveling to Al Khobar and Dhahran as a result of its proximity to King Fahd Causeway and commercial (most office activity and dealings with oil production) and leisure offerings (Half Moon Bay, retail malls, etc.).

The composition of room supply in Dammam primarily comprises 4-Star keys (53 percent) followed by 3-Star keys (18 percent), which has a larger share compared to its neighbouring sub-markets. The 5-Star and serviced apartment segments represent 14 percent and 15 percent respectively.

The total supply within DMA is anticipated increase by 48 percent by the end of 2025 to 12,805 rooms. The 4-Star hotel segment is expected to reduce its market share by 4 percentage points, to 42 percent. This reduced share is primarily driven by an increase in share from the serviced apartment segment, which is scheduled to increase its overall market share to 15 percent by 2025. This shift in hotel composition is attributed to a significant current undersupply within the serviced apartments segment. The 3-Star room supply is expected to remain at 11 percent of the total supply, whilst the 5-Star segment is also projected to remain stable at 32 percent of the total supply.

Table (3-30): Al Khobar / Dammam Hospitality Performance (Includes Luxury and Non-Luxury)

	Occupancy					ADR (USD)					RevPAR (USD)				
	2018	2019	2020	YTD Mar 2020	YTD Mar 2021	2018	2019	2020	YTD Mar 2020	YTD 2021	2018	2019	2020	YTD Mar 2020	YTD Mar 2021
DMA	49%	56%	53%	55%	55%	132	113	114	113	119	64	63	61	62	65

Source: STR Global

Table (3-31): 5-Star Hotel Performance:

	2017	2018	2019	2020
5-Star Comp set ADR ($USD)	231	234	204	199
5-Star Comp set RevPAR ($USD)	108	117	115	78
Occupancy (%)	47%	50%	57%	39%

Source: STR Global

Prior to the impact of COVID-19 in 2020, DMA experienced a y-o-y increase in occupancy of 7 percentage points, whilst ADR's fell by 14 percent. As a result, RevPAR decreased from USD 64 (SAR 241) in 2018 to USD 63 (SAR 238) in 2019.

However, in 2020, occupancy declined y-o-y by 3 percentage points, while ADRs grew by 1 percent resulting in a RevPAR decline of 3 percent to USD 61 (SAR 230). This was attributable to the impact of COVID-19 on the hospitality and tourism sector.

Despite the Covid-19 outbreak, YTD March 2021 witnessed a y-o-y marginal decrease in occupancy by 0.2 percentage points and a 5 percent increase in ADR. As a result, RevPAR increased by 5 percent to USD 65 (SAR 243).

The 5-Star Hotels competitive set used in the analysis include: Le Meridien, InterContinental, Sofitel and Kempinski Al Othman. Despite RevPAR facing downward pressure as a result of softening oil prices over the last few years and more recently due to the Covid-19 outbreak, we expect the hospitality sector to recover over the midterm as DMA remains a focal point for future business and tourism growth, supported by governmental infrastructure and tourism investments in line with Vision 2030.

3.4 Real Estate Development sector in Riyadh

3.4.1 Overview

Over the past five decades, Riyadh has seen rapid growth in its urban limits, with the majority of developments taking place beyond King Salman Road to the North, and Eastern Ring to the North East, as the city continues to expand in these directions due to the availability of land in locations further away from the city centre. We view the large housing schemes launched by the MOMRAH under the Sakani program as a positive step in addressing the shortage of housing in the mid-to-lower end of the market, which has been traditionally overlooked by developers due to lower margins.

Despite the decline in transaction volumes, residential sale prices have remained relatively resilient in 2020. We have seen a recovery in residential sale prices in Riyadh compared to the previous year. The average sale prices for villas in Riyadh increased by 2.2% YoY in 2020, while apartment sale prices increased by 1.7% over the same period. With respect to residential transactions, the total volume of residential transactions increased by 25% in the year to Q1 2021, whilst the total value of residential transactions increased by 80% during the same period. This positive trend can be explained by a marked increase in the take up of mortgages and the delivery of large scale housing schemes.

As of Q1 2021, Riyadh's housing stock is estimated to total 1.31 million units. In 2030, supply is estimated to reach 1.78 million units. With demand reaching 2.6 million units in 2030, the market gap in Riyadh is expected to reach 813,424 units.

Table (3-32): RCRC's Target Population in Riyadh

	2020	2030
Population	7,500,000	15,000,000

Source: Royal Commission for Riyadh City (RCRC)

The Royal Commission for Riyadh City (RCRC) is planning on almost doubling the population in Riyadh from around 7.5 million in 2020 to 15 million in 2030. This significant increase in the population, coupled with incentives introduced by the government to boost homeownership rates among Saudi nationals from around 60% currently to 70%.will generate a lot of demand for housing in the city: with an average household size of 5.8, this equates to a demand of more than 2.6 million housing units by 2030.

Table (3-33): Riyadh Villa and Apartment Sales Price and YoY % Change as of Q1 2021

	Villa	Apartment
Sales Price (SAR/sqm)	3,753	3,453
YoY Change (%)	-1.6%	4.4%

Source: Knight Frank

In Riyadh, villas are the most aspirational housing typology according to YouGov.

Young people are renting rather than buying because they feel they cannot afford a home. To mitigate this problem, the government placed initiatives to try and boost the mortgage market which will enable people to purchase homes.

The YoY % change in the volume of all residential transactions as of Q1 2021 (includes land and all other residential sub-assets) is 25%, while the YoY % change in the value of all residential transactions as of Q1 2021 (includes land and all other residential sub-assets) is 80%.

Riyadh's residential market registered fragmented performances in the year to Q1 2021, with residential apartment sales prices increasing by 4.4% to an average of SAR 3,453 per sqm, whilst residential villa prices decreased by 1.6% to SAR 3,753 per sqm over the same period. However, villa prices can vary heavily, with prices ranging from a low of SAR 1,432 per sqm in Al Badiah, to highs of SAR 7,200 per sqm and beyond in areas such as An Nakhil. In addition, some projects can exceed SAR 10,000 per sqm depending on the developer brand, fit-out and design.

With respect to residential transactions, the total volume of residential transactions increased by 25% in the year to Q1 2021, whilst the total value of residential transactions increased by 80% in the year to Q1 2020. This relative outperformance can be explained by a marked increase in the take up of mortgages and the delivery of large scale housing schemes.

As of Q1 2020, Riyadh's housing stock is estimated to total 1.28 million units and is expected to increase to 1.37 million units by the end of 2023.

The Royal Commission for Riyadh City (RCRC) is planning on almost doubling the population in Riyadh from around 7.5 million in 2020 to 15 million in 2030. This large increase in the population will generate a lot of demand for housing in the city: with an average household size of 5.8, this equates to a demand of more than 1.2 million additional housing units by 2030.

The biggest residential projects currently in execution occupy the high-end mixed use market, with little room to compete. The low end / Single use market is occupied by MOMRAH, providing affordable housing.

According to Knight Frank's YouGov survey, it is evident that In Riyadh, villas are the most aspirational housing typology, however, according to the YouGov survey, it is evident that apartments are rising in popularity as well. In addition, the influx of young professionals into Riyadh only helps in boosting apartment demand.

In order for people to take up apartments rather than the more popular villa, the property needs to come with its advantages. The most important factors that come into play for deciding on an apartment in Riyadh are the presence of modern fittings, as well as community development in the area.

Young people tend to rent apartments because they believe they cannot afford to purchase a residence (either apartment or villa), however the government has put in place initiatives to try and boost the mortgage market, which will help mitigate that problem. As a result, there is opportunity to serve the mid-end market.

In addition, there is an opportunity in the affordable and mid-market given that margins are reasonable due to scaling effect: MOMRAH projects usually include 500 to 2,000 units. Also, MOMRAH projects are usually self-financed, which implies that the capital outlay by developers are limited, which makes the yield very attractive.

3.4.2 Disposable income

41.6% of households were in the lower income bands - below USD 35,000. This proportion of household income band is expected to witness a decrease between 2020 and 2030 reaching 39.3%. This is a positive trend for demand for real estate in the city.

Table (3-34): Riyadh Average Household Disposable Income – SAR (Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Disposable Income	245	247	275	299	283	289	296	301	308	316

Source: Macrobond, Oxford Economics

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Riyadh stood at c. SAR 283,230 in 2020. Between 2010 and 2020, the average household personal disposable income increased at a CAGR of 0.7%. It is expected that this growth momentum will slow down to 0.3% between 2020 and 2030.

The number of households in Riyadh currently (2020) stands at approximately 1.31 million and is expected to grow to 1.62 million by 2030. In 2020, 58.4% of households in Riyadh were within income bands above USD 35,000, and this share is expected to increase going forward, reaching 60.7% in 2030.

3.4.3 Housing supply

According to official statistics, the population of Riyadh have reached 7.4 million in 2019, representing c. 85% of the total population of the Riyadh Region.

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

The average household size in Saudi Arabia stood at 5.52 individuals in 2020, although the figure is higher for Riyadh at an average of 5.8 people per household.

Usually, changes within average household sizes tend to be gradual, therefore the average household size for Jeddah combing Saudi and non-Saudi households is expected to reach to 5.7 individuals by 2030.

Table (3-35): Riyadh Total Number of Households (Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of Households	1,194	1,302	1,168	1,274	1,310	1,314	1,357	1,393	1,430

2025	2026	2027	2028	2029	2030
1,464	1,498	1,531	1,562	1,592	1,621

Source: Macrobond, Oxford Economics

Total number of households in Riyadh stood at c. 1.31 million in 2020. Between 2010 and 2020, the number of households increased at a CAGR of 3.3%. This growth momentum is expected to slow to 2.1% between 2020 and 2030, driving the total number of households to reach an estimated 1.62 million by 2030.

Based on these forecasts, it is estimated that 310,000 additional households will be formed in Riyadh between 2020 and 2030.

Note that the number of households decreased between 2018 and 2020 as a result of the departure of around 800,000 expatriates from the workforce during this period. This was triggered by a challenging macroeconomic environment, the introduction of levies on expats in the form of fees on dependants (set to increase every year on an incremental basis until 2020) and the implementation of a plan restricting employment in certain sectors to allow only Saudi nationals in order to promote and increase Saudization.

3.4.4 Housing demand

The pandemic caused a decline in residential sales activity in Riyadh in 2020. However, the second phase of the White Land tax has been implemented in Q1 2021, which will increase the growth rate.

Table (3-36): Riyadh Number of Residential Transactions

	2013	2014	2015	2016	2017	2018	2019	2020
Number of residential transactions	60,850	56,294	50,282	38,334	42,742	40,972	61,312	49,007
YoY Change %		-7%	-11%	-24%	11%	-4%	50%	-20%

Source: Ministry of Justice

Table (3-37): Riyadh Value of Residential Transactions

	2013	2014	2015	2016	2017	2018	2019	2020
Value of residential transactions (in Million)	69,285	67,749	53,273	44,912	42,192	29,098	46,297	38,348
YoY Change %		-1%	-21%	-16%	-6%	-31%	59%	-17%

Source: Ministry of Justice

We have seen a significant recovery in the number of transactions during 2019, where the number of residential transactions increased by 50% YoY, while the value of transactions saw a 59% increase YoY.

However, in 2020, the volume of residential transactions in Riyadh dropped by 20% YoY, whilst the value of residential transaction declined by 17% over the same period. A trend underpinned by lockdown measures enacted to halt the spread of the COVID-19 pandemic, which effectively caused a decline in residential sales activity.

The implementation of the second phase of the White Land Tax in Q1 2021 will help in increasing sale transactions across the Kingdom. The second phase consists of imposing taxes on developed lands owned by proprietors and where the plot is in a residential area exceeding 10,000 sqm. This will encourage developers to speed up the development of their lands to avoid paying taxes.

Residential transaction volumes have been under pressure in Riyadh for the past few years. Following several years of consecutive decline, the trend reversed in 2017, as highlighted by an 11% increase in transactions volume. In 2018, the number of residential transactions decreased by 4%. The yearly value of residential transactions in Riyadh has been falling for several consecutive years, with 2018 seeing a 31% decline in transaction values. This downward trend in transaction values has been driven by lower transactions volumes and a decline in sales prices.

The recent decision to exempt real estate transactions from 15% VAT and the introduction of a lower property tax will help to boost activity in the residential market. The introduction of a dedicated property tax will be beneficial to end-users and developers, and help the government achieve its aim of increased level of homeownership and private participation in the real estate sector.

3.4.5 Villa & apartment historical sales prices

Despite the decline in transaction volumes, residential sale prices have remained relatively resilient, increasing 2.2% in 2020 for villas, and 1.7% for apartments.

Table (3-38): Riyadh Apartment Historical Prices

	2015	2016	2017	2018	2019	2020
SAR/sqm	3,709	4,069	3,934	3,345	3,194	3,272
YoY Change		9.7%	-3.3%	-15%	-4.5%	2.4%

Source: Aqar, Knight Frank

Table (3-39): Riyadh Villa Historical Prices

	2015	2016	2017	2018	2019	2020
SAR/sqm	3,871	4,058	3,942	3,639	3,647	3,727
YoY Change		5%	-3%	-8%	0%	2%

Source: Aqar, Knight Frank

In 2019, residential sale prices remained fragmented in Riyadh, where average sale prices for villas increased marginally by 0.2% YoY compared to a 7.7% decline in 2018. Apartment sale prices fell by 4.5% YoY over the same period following a 15% decline in 2018.

In 2020, we have seen a recovery in residential sale prices in Riyadh compared to the previous year. The average sale prices for villas in Riyadh increased by 2.2% YoY, while apartment sale prices increased by 1.7% YoY over the same period. This trend has been driven by various government initiatives such as the expansion of the mortgage market and increased private sector participation in the housing market.

Saudi Arabia's residential market has been a key point of focus for government initiatives over recent years with a range of regulatory, finance and supply-side reforms enacted to underpin activity in this sector.

Pre-pandemic, we saw prices stabilise across many cities in Saudi Arabia and this trend appears to be continuing despite the economic headwinds that Saudi Arabia faces.

3.5 Real Estate Development sector in Jeddah

3.5.1 Overview

In Jeddah, oncoming supply is being mostly geared towards middle-income housing with the north seeing the majority of development activity. This will prompt further lifestyle focused developments and urban growth towards the north of the city over the next couple of years as land availability remains restricted. We view the large housing schemes launched by the MOMRAH under the Sakani program as a positive step in addressing the shortage of housing in the mid-to-lower end of the market, which has been traditionally overlooked by developers due to lower margins.

In 2020, the residential market in Jeddah registered a fragmented performance. Despite the decline in transaction volumes, residential apartment sale prices have remained relatively resilient, with apartment sale prices increasing by 1.9% YoY whilst the average sale prices for villas in Jeddah decreased by 1.6% YoY, albeit at a slower rate compare to the previous years. Residential transaction volumes and values in Jeddah increased by 34% and 26% respectively in the year to Q1 2021, a trend driven by a notable increase in the uptake of mortgages provided by banks and financial institutions.

As of Q1 2021, Jeddah's housing stock is estimated to total 863,889 units and is expected to increase to 987,762 units by the end of 2030. The majority of upcoming supply in Jeddah is focused towards middle-income housing, with North Jeddah increasingly seeing the majority of development activity.

With demand reaching 1.3 million units in 2030, the market gap in Jeddah is expected to reach 383,357 units.

Table (3-40): Jeddah Population

	2020	2030
Population	5.1 Million	6.1 Million

Source: Population Statistic

Jeddah's population is expected to grow at a CAGR of 1.9% from 2020 to 2030, increasing from 5.1 million residents to about 6.1 million. This increase in the population coupled with incentives introduced by the government to boost homeownership rates among Saudi nationals from around 60% currently to 70% will generate demand for housing in the city: with an average household size of 4.5, this equates to a demand of more than 1.3 million housing units by 2030.

Table (3-41): Jeddah Villa Sales Price and YoY % Change as of Q1 2021

	Villa	Apartment
Sales Price (SAR/sqm)	5,023	3,944
YoY Change (%)	-6.3%	6.5%

Source: Knight Frank

In Jeddah, villas are the most aspirational housing typology according to YouGov.

Government incentives put in place to boost the mortgage market are effective in enabling young people to purchase homes rather than renting.

The YoY % change in the volume of all residential transactions as of Q1 2021 (includes land and all other residential sub-assets) is 34%, while the YoY % change in the value of all residential transactions as of Q1 2021 (includes land and all other residential sub-assets) is 26%

In Jeddah, average residential apartment sales prices increased by 6.5% to SAR 3,944 per sqm in the year to Q1 2021, whereas average villa sales prices fell by 6.3% to SAR 5,023 per sqm over the same period.

Residential transaction volumes and values in Jeddah increased by 34% and 26% respectively in the year to Q1 2021, a trend driven by a notable increase in the uptake of mortgages provided by banks and financial institutions.

As of Q1 2020, Jeddah's housing stock is estimated to total 853,373 units and is expected to increase to 890,657 units by the end of 2023. The majority of upcoming supply in Jeddah is focused towards middle-income housing, with North Jeddah increasingly seeing the majority of development activity.

Jeddah's population is expected to grow at a CAGR of 1.9% from 2020 to 2030, increasing from 5.1 million residents to about 6.1 million. This increase in the population will generate a lot of demand for housing in the city: with an average household size of 4.5, this equates to a demand of more than 200,000 additional housing units by 2030

The biggest residential projects currently in execution occupy the high-end mixed use market, with little room to compete. The low end / Single use market is occupied by MOMRAH, providing affordable housing.

According to YouGov survey, it is evident that In Jeddah, villas are the most aspirational housing typology, however apartments are rising in popularity as well. In addition, the influx of young professionals into Jeddah only helps in boosting apartment demand.

In order for people to take up apartments rather than the more popular villa, the property needs to come with its advantages. The most important factors that come into play for deciding on an apartment in Jeddah are the presence of community development in the area, as well as the reputation of the area.

Young people tend to rent apartments because they believe they cannot afford to purchase a residence (either apartment or villa), however the government has put in place initiatives to try and boost the mortgage market, which will help mitigate that problem.

As a result, there is opportunity to serve the mid-end market due to the fact that the luxury market is saturated, and the fact that young Saudis are finding it harder to afford expensive homes.

3.5.2 Disposable income

The growth in average household personal disposable income has generally been unimpressive over the past few years and has exacerbated the rising housing affordability challenge in the city.

Table (3-42): Jeddah Average Household Disposable Income – SAR (Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Disposable Income	175	174	187	193	181	185	187	190	193	197

Source: Macrobond, Oxford Economics

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income grew at CAGR of -1.0% between 2010 and 2020 According to Oxford Economics, reaching SAR 181,810.

In 2020, 45.1% of households in Jeddah were within income bands above USD 35,000, this share is expected to decrease, reaching 44.5% in 2030.

54.9% of households were in the lower income bands - below USD 35,000. This proportion of household income bands is expected to witness an increase between 2020 and 2030 reaching 56.5%. This reflect a negative trend, from the perspective of consumer spending and demand for real estate in the city.

3.5.3 Housing supply

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

Table (3-43): Jeddah Total Number of Households (Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023
Number of Households	1,010	1,103	1,076	1,078	1,106	1,106	1,141	1,171

2024	2025	2026	2027	2028	2029	2030
1,201	1,230	1,260	1,288	1,316	1,344	1,370

Source: Macrobond, Oxford Economics

The average household size in Saudi Arabia stood at 5.52 individuals in 2020, although the figure is lower for Jeddah at an average of 4.62 people per household. This can be explained by a higher share of expats in Jeddah compared to the national average.

Usually, changes within average household sizes tend to be gradual, therefore the average household size for Jeddah combing Saudi and non-Saudi households is expected to reach to 4.50 individuals by 2030.

Going forward, we expect falling household size among Saudis will underpin demand for higher density development providing smaller and more efficient units that are affordable due to a reduction in size rather than a reduction in build quality.

Total number of households in Jeddah stood at 1.0 million in 2020. Between 2010 and 2020, the number of households increased at a CAGR of 3.6%. This growth momentum is expected to moderate to 2.2% between 2020 and 2030, where the total number of households is forecast to reach 1.3 million by 2029.

Based on these forecasts, it is estimated that an estimated 264,342 additional households will be formed in Jeddah between 2020 and 2030.

3.5.4 Housing demand

Despite the challenging market conditions caused by COVID-19, Residential activity in Jeddah remained resilient in 2020. A trend underpinned by a notable increase in the uptake of mortgages provided by banks and financial institutions.

Table (3-44): Jeddah Number of Residential Transactions

	2013	2014	2015	2016	2017	2018	2019	2020
Number of residential transactions	32,975	30,298	24,601	20,623	20,336	16,650	24,352	23,715
YoY Change %		-8%	-19%	-16%	-1%	-18%	46%	-3%

Source: Ministry of Justice

Table (3-45): Jeddah Value of Residential Transactions

	2013	2014	2015	2016	2017	2018	2019	2020
Value of residential transactions (in Million)	54,141	52,144	45,390	28,807	22,621	13,253	18,317	18,327
YoY Change %		-4%	-13%	-37%	-21%	-41%	38%	0%

Source: Ministry of Justice

We have seen a significant recovery in the number of transactions during 2019, where the number of residential transactions witnessed 46% increase in 2019 year on year, while the value of transactions saw an increase of 38% over the same period.

In 2020, the volume of residential transactions in Jeddah dropped by 3% YoY, whilst the value of residential transaction remained unchanged over the same period.

The recent decision to exempt real estate transactions from 15% VAT and the introduction of a lower property tax, will help to boost activity in the residential market. The introduction of a dedicated property tax will be beneficial to end-users and developers and help the government achieve its aim of increased levels of homeownership and private participation in the real estate sector.

3.5.5 Villa & apartment sales prices

Pre-pandemic, we saw prices stabilise across many cities in Saudi Arabia and this trend appears to be continuing despite the economic headwinds that Saudi Arabia faces.

Table (3-46): Jeddah Apartment Historic Sale Prices

	2015	2016	2017	2018	2019	2020
SAR/sqm	5,037	4,914	4,367	3,725	3,579	3,670
YoY Change		-2%	-11%	-15%	-4%	3%

Source: Aqar, Knight Frank

Table (3-47): Jeddah Villa Historic Sale Prices

	2015	2016	2017	2018	2019	2020
SAR/sqm	6,082	6,467	6,064	5,573	5,211	5,093
YoY Change		6%	-6%	-8%	-6%	-2%

Source: Aqar, Knight Frank

In 2019, residential sale prices continued to soften in Jeddah, where average sale prices for villas decreased by 6.5% YoY compared to a 6.1%. While the apartment sale prices fell by 3.9% YoY over the same period. However, in 2020, residential market in Jeddah registered fragmented performance. Despite the decline in transaction volumes, residential sales prices have remained relatively resilient. The average sale prices for villas in Jeddah decreased by 1.6% YoY, albeit at a slower rate compare to the previous years. Whereas apartment sale prices increased by 1.9% YoY over the same period. This trend has been driven by various government initiatives such as the expansion of the mortgage market and increased private sector participation in the housing market.

Saudi Arabia's residential market has been a key point of focus for government initiatives over recent years with a range of regulatory, finance and supply side reforms enacted which aimed to underpin activity in this sector.

3.6 Retal's competitive positioning

3.6.1 KSA developer profile

Developers in KSA can be classified into 3 main categories:

- PIF and Government-led development companies
- Large-scale private developers / listed developers / developers with a corporate structure
- SME developers (including micro-developers, contractors, mid-sized developers and HNW family office developers)

Anecdotal evidence and market insights shows that SME developers are under-represented in the market, while large developers control around 62% market share. This is worth noting because SME developers far outnumber the larger ones (around 77% of registered builders in KSA are SMEs).

PIF and government-led developers are mostly focused on tourism-related projects, large-scale master planned "new cities", and tend to favor the upper-mid/market, luxury, and super-luxury market segments when bringing residential projects to market.

A sub-set of these PIF developers (e.g. ROSHN) are involved mostly in more affordable housing projects. The fact that a considerable amount of ROSHN's projects are outsourced to local developers, coupled with Retal's track record in housing projects indicate that Retal might expect to be assigned to work on ROSHN projects.

As a background to the project findings, Knight Frank has categorized KSA developers into a Developer Typology classification system based on prior projects we have been engaged on, market knowledge and market insights:

Table (3-48): Developer Classification

Developer Classification	Typical Project Size	Project GDV range (gross development value)	Operational Structure (staff size)	Typical sources of funding
GRE (government related enterprise) such as PIF, MOMRAH, etc.	Giga-projects, mega-projects; residential projects above 5,000 units per project	Over SAR 1-Billion	Between 500 and 1,000 employees	Government budgets, government-backed bank loans, private equity, PPP
Large-scale corporate developers (incl. listed companies)	Residential projects are typically between 500 and 5,000 units per project	Over SAR 250-Million, can reach SAR 1-Billion	Between 100 and 250 employees	Shareholder equity, bank loans, joint-ventures, private equity
SME developers (including smaller family offices)	Between 10 and 200 residential units per project	SME developers typically develop projects of between SAR 5-Million up to SAR 100-Million	Between 10 and 100 employees	Family funds, private investors, profits from prior projects, bank loans

Source: Vision 2030, Knight Frank

Even though large developers represent a small number in KSA, they hold the majority of the total market share by gross development value, at 62%. PIF/Government developers hold 10%, while SME Developers hold 28%.

Knight Frank has analysed the estimated market share of developers in the KSA market by developer type, based on the classification system provided by the government and utilizing the metric of Gross Development Value (GDV) as the market share indicator.

Large developers, while small in number, are overrepresented in terms of the value of projects (and hence number of units) that they are bringing to market. Retal Urban Development falls in that category. Large scale developers such as Retal are using off-plan sales to finance their projects, which has been proven to be a lean business model that enables flexibility and growth: Low equity / no debt yet very bankable if needed, high profitability ratios, long investment horizon, limited downside risk and high design & development flexibility.

Based on the total Quantum of SME developers, their representative market share should be higher, and this points to an underrepresentation of SMEs in the KSA residential market in terms of project execution.

This leads to the suggestion that while SME developers exist in large numbers in the market, they are facing significant challenges executing projects and bringing units to market.

According to statements made by the Crown Prince through government declarations, demand for housing is estimated to reach 4 million units by 2030, with a demand gap of 2 million units according to MOMRAH. This will be the result of population growth (the Royal Commission for Riyadh City (RCRC) is planning on almost doubling the population in Riyadh from around 7.5 million in 2020 to 15 million in 2030), as well as the incentives introduced by the government to boost homeownership rates among Saudi nationals from around 60% currently to 70%.

Regulatory efforts such as the white land tax and the mortgage law, display clear intent from the government to engage with the issues facing the residential market. The Government aims to enhance home ownership by making homes more affordable and accessible for their citizens. It does this by increasing the participation of the private sector by providing incentives to enable them to efficiently develop homes at an affordable price.

The trends witnessed in Riyadh, Jeddah and DMA have been driven by various government initiatives such as the expansion of the mortgage market and increased private sector participation in the housing market.

3.6.2 Market share analysis

By dividing the total number of units Retal sells in each city each year by the total number of new supply in that city during that year, we can estimate Retal's market share and project its progression through the years 2020 to 2028.

Table (3-49): Riyadh Market Share

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Number of Units Sold	588	690	781	975	996	1,278	1,710	1,855	2,000
Market Share	1.5%	1.7%	1.7%	2.1%	2.1%	2.6%	3.3%	3.5%	3.6%

Source: Retal, Knight Frank

Note: The numbers of units sold were provided by Retal and have not been validated by Knight Frank.

Table (3-50): Jeddah Market Share

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Number of Units Sold	0	0	0	195	199	256	342	371	400
Market Share	0%	0%	0%	1.5%	1.5%	1.9%	2.5%	2.7%	2.8%

Source: Retal, Knight Frank

Note: The numbers of units sold were provided by Retal and have not been validated by Knight Frank.

Table (3-51): DMA Market Share

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Number of Units Sold	1,052	1,061	1,095	780	797	1,022	1,368	1,484	1,600
Market Share	16.8%	16.6%	14.5%	10.1%	10.1%	12.7%	16.6%	17.7%	18.6%

Source: Retal, Knight Frank

Note: The numbers of units sold were provided by Retal and have not been validated by Knight Frank.

Retal's market share in Riyadh jumped from 1.5% in 2020 to 3.6% in 2028. In Jeddah, Retal's market share went from non-existent in 2020, to capturing 2.8% of the market in 2028. Retal's market share is by far the largest in DMA, going from 16.8% in 2020 to 18.6% in 2028, positioning Retal as the number one private residential developer in DMA, delivering 8,807 units valued at USD 2.23 billion, or SAR 8.39 billion.

It is important to note that the decline in Retal's market share in DMA is not an indication of poor performance, but rather the fact that they are ramping up development. In other words, when Retal is developing their pipeline, they're not selling.

Competitive Landscape

Retal Urban Development is a large real estate developer from the private sector. As such, Retal does not compete with government-owned developers such as those behind "**giga**" projects, but rather competes with other developers from the private sector such as Dar al Arkan, Alinma Invest and Sumou to name a few. It is only by excluding government Real Estate developers can we have an accurate analysis of Retal's standing in the market. To better understand the competitive landscape in KSA, we have sampled seven prominent developers from across the tier-1 cities and provided a brief overview of the nature of their business:

Dar Al Arkan: Founded in 1994 and based in Riyadh, Dar Al Arkan is a public shareholding company listed on the Saudi Stock Exchange, with SAR 10.8 billion in capital and SAR 26 billion in assets, making it one of the leading real estate companies in the Middle East. While Dar Al Arkan runs diverse operations, residential real estate development remains the focus of its business, delivering over 15,000 residential units across KSA.

Alargan: Founded in 1994 and headquartered in Kuwait, Alargan is a contracting company that operates across the MENA region. It established its development subsidiary in Riyadh in 2006, and has since become one of the leading real estate companies in the region. Alargan mainly develops urban communities which serve as residential, commercial and mixed-use destinations, and has in its portfolio projects in the realms of hospitality (dining, hotels and resorts), residential, healthcare and education.

Emaar Properties: Founded in 1997, Emaar Properties is a multinational real estate Development Company located in the United Arab Emirates. It is a public joint-stock company, listed on the Dubai Financial Market, and has a valuation of US$9.7 billion as of June 2018. Emaar operates internationally providing property development and management services. With six business segments and 60 active companies, Emaar has collective presence in 36 markets across the Middle East, North Africa, Pan-Asia, Europe and North America.

Alinma Investment: Launched in 2010, Alinma investment is a Saudi closed joint stock company wholly owned and established by Alinma Bank. It provides a full range of Shariah-compliant investment products and services. The firm engages in many activities, including dealing as Principal and Agent, underwriting, managing investment funds, portfolio management, arrangement, providing advisory and custodial services with respect to securities business.

Sumou Real Estate: Established in 2008, Sumou Real Estate, part of Sumou Holding, is one of the premier provider of real estate development management services in Saudi Arabia. The company supports its clients from conceptualisation and execution to facilities and asset management, and income generation. Sumou Holding Company also establishes Private Public Partnership (PPP) joint ventures with local municipalities to support flagship real estate projects in KSA.

Ebdah AlHarbash & Sons Group: Founded in 1984 in Kuwait, the group consists of industrial and trading companies. The group operates in real estate, oil field services, aluminium industries and automotive industry, among others. The real estate division currently owns and manages many high rise apartment and commercial complexes with plans for further development to meet surging demand for housing across the region.

Jenan Real Estate Company (JREC): Established in the Eastern Province, JREC is a closed joint stock company. The company was established to fulfil the need for high quality, modern residential and commercial real estate in the Kingdom of Saudi Arabia's Eastern Province. JREC develops properties that offer a diverse range of products, as they also provide quality, affordable housing.

Private Sector Real Estate Developers in Riyadh

The net project value of the top 7 private developers in Riyadh account for a combined 24% of the total value of all residential projects in execution. Retal comes in 1st place for the value of projects in execution in Riyadh, delivering 10,107 units worth USD 4.12 billion.

Table (3-52): Top Seven Private Sector Real Estate Developers in Riyadh (Projects in Execution)

	Retal	Dar al Arkan	Alargan	Rafal	AlBayt	Maskan Arabia	Mohamad Al Habib
Net Project Value ($Mn)	4,120	1,320	200	137	80	80	40

Source: MEED

Saudi Arabia's residential market has been a key point of focus for government initiatives over recent years with a range of regulatory, finance and supply-side reforms enacted to underpin activity in this sector.

While Retal was not on the list of developers of completed projects in Riyadh, it jumps to first place for projects in execution, with a sum of net project value more than triple its closest competitor.

Most of Retal's projects in Riyadh occupy the mid-market segment, capturing 3.6% of the market by 2028.

Private Sector Real Estate Developers in Jeddah

The net project value of the top 7 private developers in Jeddah account for a combined 96% of the total value of all residential projects in execution, with JEC accounting for 55% of the total. Retal comes in 6th place, delivering 1,616 units worth USD 354 million.

Table (3-53): Top Seven Private Sector Real Estate Developers in Jeddah (Projects in Execution)

	Jeddah Economic Company	Al Shamiyah Urban Development	Emaar Properties	Alinma Invest	Sumou	Retal	Al Masarat Construction Company
Net Project Value ($Mn)	28,157	16,550	1,923	1,524	427	354	180

Source: MEED

When it comes to residential projects currently in execution in Jeddah, Jeddah Economic Company ranks first in terms of net project value, with at $28.1Bn, or SAR 105.6Bn worth of assets.

It is worth noting that Emaar properties appeared in the list for completed projects as well as projects currently in the pipeline.

Private Sector Real Estate Developers in DMA

The net project value of all the completed residential projects from the top 7 private residential real estate developers in DMA account for a combined 38% of the total value of all completed residential projects in DMA to date. Retal is ranked third among the seven.

Table (3-54): Top Seven Private Sector Real Estate Developers in DMA (Completed Projects)

	Al Harbash Group & Sons	Emaar Properties	Retal	Jenan Real Estate Company (JREC)	Alargan International Real Estate Company	Rikaz Properties	King Fahd University for Petroleum & Minerals
Net Project Value ($Mn)	400	400	386	270	180	165	146

Source: MEED

When it comes to completed residential projects in Jeddah, Al Harbash Group & Sons and Emaar Properties are tied in first place with a sum of net project value of USD 400 million, with Retal following with a sum of net project value of USD 386 million.

Private Sector Real Estate Developers in DMA (Projects in Execution)

The net project value of the top 7 private residential real estate developers in DMA account for a combined 53% of the total value of all residential projects in execution. Retal comes in 1st place, delivering 8,807 units, worth USD 2.2 billion, more than triple its closest competitor.

Table (3-55): Top Seven Private Sector Real Estate Developers in DMA (Projects in Execution)

	Retal	Jenan Real Estate Company (JREC)	Dhahran Techno Valley Company	Ajdan Real Estate Company, Al Oula	Anan Real Estate Company	Gulf Address Real Estate Investment	Macro Business Group
Net Project Value ($Mn)	2,238	735	480	292	198	20	18

Source: MEED

Retal is the market leader in DMA, delivering 8,807 units and reaching a market share of 19% by 2028.

In DMA, Retal's project occupy the full spectrum of the low-med-high end markets. Delivering 8,807 residential units by 2028, Retal captures 18.6% of the market.

4. THE COMPANY

4.1 Overview of the Company and its Business Activities

The Company is one of the leading developers of residential integrated lifestyle master plan communities offering a wide variety of facilities in the Kingdom of Saudi Arabia. The Company's full portfolio features residential and commercial properties, schools and commercial and social complexes. Redefining the traditional approaches to property development, the Company's integrated lifestyle master plan communities are distinguished by their leading design, high quality build and finishes and wide range of amenities.

Since the Company's inception in 2012G, it has played a key role in the development of the Kingdom's real estate market, with some of its most iconic properties forming part of the Company's integrated lifestyle master plan communities. The Company's residential portfolio comprises apartments and villas servicing the mid and luxury market segments in addition to villas targeting the affordable market segment. The Company has developed some of the Kingdom's most prestigious integrated lifestyle master plan communities, including Nesaj Town Riyadh 2, Nesaj Town AlKhobar, Retal Residence and Retal Square. As of 30 September 2021G, the Company had over 30 completed and ongoing projects with a total of 7,284 units, and completed 2,957 units across Saudi Arabia.

The Company's core business focuses on the development of residential complexes containing residential units such as villas, townhouses and apartments that are built for sale ("**BTS assets**"). The Company also develops mixed-use concepts incorporating residential, retail and hospitality components and oversees all aspects of the integrated lifestyle master plan community's development, from its initial concept development, design and construction, to its sales and marketing. The Company develops recreational amenities such as parks, water features and other outdoor spaces. In conjunction with the Kingdom's leading construction firms, the Company maintains strict oversight of projects and seeks to ensure completion within budget and in compliance with the highest standards of quality. Commercial units previously developed by the Company include offices, retail space and educational facilities which are built for leasing to tenants by the Company ("**BTL assets**").

As of 30 September 2021G, the Company had 4,327 residential units under construction. The Company benefits from strong relationships with its parent company and Related Parties, who also provide land for the Company's projects. In addition, the Company has longstanding relationships with the Kingdom's leading construction contractors, giving the Company access to premier development opportunities arising across Saudi Arabia.

4.2 Vision and Mission of the Company

4.2.1 Vision

To be at the forefront of national real estate development companies in the Kingdom of Saudi Arabia, by building high-quality and high-end residential complexes with competitive prices.

4.2.2 Mission

To develop residential and commercial buildings that meet the needs of the market and contribute to raising the Saudi urban environment to the highest levels, by paying great attention to details and content.

4.3 Competitive Advantages, Strengths and Strategies of the Company

4.3.1 Competitive Advantages and Strengths of the Company

The Company possesses many strengths and competitive advantages that significantly distinguish it from its peers and contribute to its success. Management believes that the competitive advantages and strengths available to the Company are as follows:

4.3.1.1 A simple business model that provides flexibility and enables growth

Retal is one of a new generation of companies specialized in urban development in the Kingdom of Saudi Arabia and a pioneer in launching quality residential projects through large scale off-plan sales. The off-plan sales model enables developers to implement high-return projects with limited capital contributions, while reducing market and construction risks; which means that trusted developers, such as Retal, are able benefit from off-plan sales to implement already sold projects, which reflects positively on the Company's business fundamentals in terms of project financing, investment schedule, inventory management and project returns.

The off-plan sales model enables Retal to complete construction in phases and better focus on high-quality design, flexible planning and development to deliver customized offerings that meet market needs.

According to a market study conducted by Knight Frank, the demand for off-plan projects in Saudi Arabia, especially residential projects, is increasing due to customers who want to take advantage of the affordability and flexibility offered by such projects compared to purchasing existing properties. The market study also focuses on mortgage market growth, which positively reflects on Retal's clients to finance their homes. As a result, developers are able raise the funds required to sell units in record time, transferring collection risks to specialized financing institutions.

4.3.1.2 Integration of the development and quality control system across Retal's subsidiaries

Retal consists of the Urban Development Unit in addition to a group of subsidiaries that operate in concert to achieve integration in the following areas: (1) infrastructure development, (2) design and engineering consultancy, (3) project management, (4) construction and contracting, (5) property management, (6) facilities management. This integrated service platform provides the ability to ensure efficiency and quality control across all operations, to close the development cycle and after sales services.

Retal Group thus uses the latest digital solutions that enhance business flow, optimize costs, as well as increase speed and adaptability. In addition, Retal Group has strong partnerships with both the public and private sectors and has forged strategic alliances with industry leaders, service providers and leading financial institutions to support ecosystem integration.

4.3.1.3 Well-established brand and track record

Since its establishment in 2012G, Retal has built a unique real estate portfolio that includes more than 30 completed and under construction projects, representing a total of 7,284 residential units in various regions of the Kingdom of Saudi Arabia, of which about 2,957 units were completed as of 30 September 2021G.

Over the years, the Company has built a good reputation in terms of quality and trust, and, in turn, has managed to become a leader in the field of off-plan sales in the Saudi market, backed by its internal and societal sustainability, significant expansion in the market, large customer base, trusted partners and shareholders.

Retal has been setting the standards for residential and commercial urban development for nearly a decade, with a track record of quality, excellence and value. Retal is at the forefront of urban innovation and advances in the Kingdom of Saudi Arabia. The customer experience provided by Retal is on par with global developers in terms of technology adoption, customer needs, adherence to delivery schedules, and after sales customer services.

In recognition of its achievements, Retal has received many prestigious awards and market accreditations, the latest of which was the 2020G "**Best Real Estate Developer in the Kingdom**" award from the MoMRAH for the second year in a row. The award is in recognition of Retal's achievements and continued success in building residential units for the Nesaj Town projects in partnership with the National Housing Company. These certifications best evidence Retal's industry-leading capabilities to provide real estate solutions and projects of exceptional quality and value.

4.3.1.4 Highly qualified leadership and solid corporate governance

Retal is led by a highly qualified professional and specialized team, which contributed to enabling the Company to realize high achievements and secure a reputation of excellence and extensive experience in the real estate sector, in addition to its proven record in the field of housing development by providing high-end services and innovative solutions that achieve the highest international standards and best practices with more than 1,000 talented experts.

Retal's management constantly encourages everyone in the Company to adopt a productive and results-oriented approach to developing their careers, supported by customized training programs and knowledge-sharing avenues that enable Retal staff to possess strong emotional and intellectual qualities, as well as a sense of responsibility and integrity in their day-to-day work.

Retal's governance structure sets out clear roles and responsibilities for the management team, Board, Shareholders and other stakeholders to build an environment of trust, transparency, and accountability, which forms the cornerstone of Retal's commitment to promoting long-term investment, financial stability, and business integrity, thereby supporting stronger growth and more inclusive and sustainable societies.

4.3.1.5 Strong financial performance

The Company has a proven track record of achieving steady growth across key financial metrics, as the its total revenues witnessed a significant increase during the years from 2018G to 2020G, with a significant increase from SAR 209 million in 2018G to SAR 587 million in 2020G (which represents a CAGR of 67.6%) supported by a wide range of high quality residential and mixed-use projects across the Kingdom, supported by the off-plan sales model.

Retal maintains a unique mix of risks and returns supported by a significant historical growth in the Company's total sales and net income over the past few years, where the Company recorded a net profit that rose from SAR 3 million to SAR 99 million from 2018G to 2020G, (representing 500% of the Company's total profits).

Despite Retal expanding its business over the past two years, it has been able to distribute more than 80% of its net income as dividends, which proves that the expansion formula and dividends distribution can be balanced to maximize shareholder value.

4.3.2 The Company's Strategies

The Company's core strategies that aim to lay solid foundations for sustainable growth depend on the following:

4.3.2.1 Expand its market share in the Kingdom by providing high quality products in different market sectors

The Company constantly seeks to provide high quality cultured value through its projects, in line with the Kingdom's 2030 vision, to establish urban development, develop and encourage built environment and meet increasing market demand.

The government estimates that the demand for housing units will reach 4 million units by 2030G, with a demand gap of 2 million units. This is primarily due to the Royal Commission for the City of Riyadh's plan to double the population growth in Riyadh from 7.5 million in 2020G to 15 million in 2030G.

The government has put forward various initiatives with the aim of supporting real estate sector development, such as providing affordable housing for Saudi citizens, and several financing programs to increase home ownership percentage to 70% in 2030G, compared to 47% in 2017G. The government housing program was designed to facilitate home ownership procedures and led to a doubling of supply and demand through its programs that provide housing solutions in cooperation with the private sector, which led to an increase in the percentage of home ownership to about 60% in 2020G.

The Company offers a wide range of housing units, from affordable housing units to high-end housing units. Since its inception, the Company's portfolio includes more than 7,000 housing units that meet market demand across various categories.

In light of the demographic trends supported by large-scale government initiatives, the Company seeks to increase its leadership position and raise its market share in the housing development sector in the Kingdom by taking advantage of various opportunities that serve different market sectors, with a primary focus on the main urban cities of Riyadh, Dammam and Jeddah, which, according to the market study, comprise about 65.0% of the Saudi population.

4.3.2.2 Achieve a flexible and transparent governance structure to ensure alignment between the Company and its subsidiaries in order to speed up the decision-making process

The Company is committed to a well-defined governance framework based on specific and clear roles and responsibilities aimed at organizing and aligning entities at the subsidiary level with regard to the Company's strategic objectives, in order to ensure proper decision-making and adopt mechanisms for maintaining the latter, while creating an environment characterized by responsiveness and transparency for key stakeholders (such as Shareholders, customers and regulators).

The adopted strong governance framework is in line with best market practices and complies with the standards of the Capital Market Authority, which serves the objective of enhancing the Company's responsibility through an efficient and effective oversight, supervision and risk management mechanism.

4.3.2.3 Enhance digital transformation to improve business efficiency and productivity in order to improve the customer experience

The Company constantly strives for a leadership position and immediate dependence on the market environment and changing business requirements.

The spread of the Covid-19 virus at the start of 2020G resulted in a large-scale economic slowdown, which has led to business interruptions due to public health restrictions imposed by the government, which in turn led to the curtailment of commercial activities and limited access to customers across different sectors to reduce face-to-face interactions in response to the measures imposed due to the global pandemic.

In light of the above, the Company seized the opportunity by creating an online platform that features unique virtual key elements, such as an interactive 360-degree tour of its residential offerings, online selling services with booking options and a high degree of customization features for units (for luxury products). The strict government restrictions imposed during the curfew period helped boost the use of the Company's virtual solutions. As a result, the Company was well-equipped to adopt to changing business requirements and thus was able to book many units of the Ayala Al-Nakheel luxury project during the curfew period without the need for face-to-face dealings by providing unique customization services in terms of location, type, house layouts and facade design options to provide convenient remote interactions with clients.

The Company aims to be ready to identify growth opportunities under different market conditions in order to achieve the ultimate goal of further encouraging a customer-centric culture and enhancing customer experience.

4.3.2.4 Create strong brand awareness through strategic alliances and unconventional marketing methods

The Company is constantly keen to expand its communication network with customers through its strategic partnerships and innovative marketing methods to enhance its brand recognition and market position.

Through its comprehensive business lines that constitute an integrated system that meets market requirements, (from design to post-delivery services), the Company has expanded its customer base in light of its outstanding capabilities in development and implementation, which led the Company to achieve great success in creating a strong brand name associated with high quality products.

The Company succeeded in attracting reservations for about 700 units in Nesaj Town Riyadh within 96 hours of its launch on the Sakani platform, and 170 units in Nesaj Town Al-Khobar within one hour during 2021G, which indicates the position of the Retal brand in the market backed by its marketing strategies that have been successfully implemented.

On 04/08/2021G, the Company also entered into a strategic partnership with Alpha Capital, where it launched a real estate development fund that raised more than half a billion Riyals to invest in the "**Marasi Al-Khobar**" project located between Dammam and Al-Khobar, as part of a strategic 7.5 billion Riyals partnership, which contributes to achieving part of the Company's future plans.

Furthermore, the Company aims to deliver unique value to its customers by continuing to capitalize on its existing partnerships and strategic expansion of its alliances and partnerships with global brands and industry leaders to expand product offerings, expand its customer network and develop a competitive advantage over its peers in order to ultimately achieve growth and maintain its successful position in the long term.

4.3.2.5 Ensure adherence to high quality standards

The Company aims to adhere to strict quality controls during all stages of development, in order to achieve the highest quality standards and to link the Company's brand name to unparalleled levels of quality in the market. The Company believes that keeping its strategic focus on delivering current and future projects at a distinguished level of quality is a top priority, led by distinguished design, appropriate price for the target group and delivery in record time, which will enable it to maintain and enhance its current position in the market.

4.3.2.6 Develop and attract outstanding talent

The Company aims to attract, retain and nurture distinguished national talents in various fields by providing numerous advantages that enhance a positive and supportive work environment to ensure opportunities for professional growth, which aims to consolidate the Company's reputation as one of the preferred work environments for the stability of eminent competencies.

4.4 Overview of the Structure of the Company and Evolution of Capital

The Company commenced its activity as a branch of the Building Construction Company Limited, which is a limited liability company under commercial registration no. 2051023581 dated 15/06/1420H (corresponding to 25/09/1999G). On 12/03/1433H (corresponding to 04/02/2012G), Building Construction Company Limited opened a branch in the name of Retal Urban Development under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) issued in the city of Al-Khobar to carry out its activities under said branch. On 26/05/1433H (corresponding to 18/04/2012G), the branch and all rights and obligations thereunder was converted to a limited liability company in the name of Retal Urban Development Company under commercial registration No. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) with a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five thousand (5,000) cash shares with a nominal value of one hundred Saudi Riyals (SAR 100) per share, whereby Company shares were divided as follows:

Table (4-1): Shareholding upon Incorporation:

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	98%	4,900	100
Building Construction Company Limited	2%	100	100
Total	**100%**	**5,000**	-

Source: the Company

On 21/04/1434H (corresponding to 03/03/2013G), the shareholders approved a decision to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to ten million Saudi Riyals (SAR 10,000,000), divided into one hundred thousand (100,000) cash share of equal nominal value of one hundred Saudi Riyals (SAR 100) per share, through the capitalization of nine million five hundred thousand Saudi Riyals (SAR 9,500,000) taken from the shareholders' current account. On 21/06/1434H (corresponding to 01/05/2013G), Building Construction Company Limited waived the totality of its shares in the Company to Al Fozan Investment Company Limited.

Table (4-2): Shareholding as of 21/06/1434H (corresponding to 01/05/2013G):

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	98%	98,000	100
Al Fozan Investment Company Limited	2%	2,000	100
Total	**100%**	**100,000**	-

Source: the Company

On 23/02/1438H (corresponding to 23/11/2016G), Al Fozan Investment Company Limited waived the totality of its shares in the Company to Al Fozan Holding Company, whereby the Company became wholly owned by Al Fozan Holding Company.

Table (4-3): Shareholding as of 23/02/1438H (corresponding to 23/11/2016G):

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	100%	100,000	100
Total	**100%**	**100,000**	-

Source: the Company

On 16/05/1438H (corresponding to 13/02/2017G), Al Fozan Holding Company ceded 1% of its shareholding in the Company to Al Fozan Investment Company Limited. On 21/04/1441H (corresponding to 18/12/2019G), the Company increased its capital from ten million Saudi Riyals (SAR 1,000,000) to two hundred and fifty million Saudi Riyals (SAR 250,000,000) divided into two hundred and fifty thousand (250,000) cash share of equal value with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share through the capitalization of one hundred and fifty-seven million eight hundred sixty-six thousand one hundred and eight-nine Saudi Riyals (SAR 157,866,189) from the Shareholders' current account and eighty-two million one hundred thirty three thousand eight hundred and eleven Saudi Riyals (SAR 82,133,811) in cash contributions paid by the Shareholders.

Table (4-4): Shareholding as of 21/04/1441H (corresponding to 18/12/2019G):

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	99%	247,500	1,000
Al Fozan Investment Company Limited	1%	2,500	1,000
Total	**100%**	**250,000**	-

Source: the Company

On 14/08/1441H (corresponding to 07/04/2020G), the shareholders adopted a resolution to convert the Company from a limited liability company to a closed joint stock company, with the Company converted under Ministerial Resolution No. 4247 on 14/08/1441H (corresponding to 07/04/ 2020G). The shareholders' resolution also included that Al Fozan Investment Co. Ltd. cedes the totality of its 2,500 shares to Abdullah Faisal Al-Braikan, who became a new shareholder in the Company, and Al Fozan Holding Company waived part of its 10,000 shares to Abdullah Faisal Al-Braikan, with the Company's capital divided into twenty-five million (25,000,000) ordinary shares of equal value with a nominal value of ten Saudi Riyals (SAR 10) per share, which were distributed to shareholders as follows:

Table (4-5): Shareholding as of 14/08/1441H (corresponding to 08/04/2020G):

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	95%	23,750,000	10
Abdullah Faisal Al-Braikan	5%	1,250,000	10
Total	**100%**	**25,000,000**	-

Source: the Company

On 09/05/1442H (corresponding to 24/12/2020G) the Company's Extraordinary General Assembly approved a capital increase from two hundred and fifty million Saudi Riyals (SAR 250,000,000) to three hundred and seventy-five million Saudi Riyals (SAR 375,000,000), divided into thirty-seven million and five hundred thousand (37,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the issuance of twelve million five hundred thousand (12,500,000) in-kind shares valued at one hundred and twenty-five million Saudi Riyals (SAR 125,000,000) subscribed to in full by the Founding Shareholders registered in the Company records as on the day of the meeting.

The in-kind shares issued formed twelve million five hundred thousand Saudi Riyals (SAR 12,500,000) in-kind shares with the value of one hundred and twenty-five million Saudi Riyals (SAR 125,000,000) as a result of the acquisition of a 39.5% share from Saudi Tharwa Company with a value of one hundred and seven million and four hundred and forty thousand Saudi Riyals (SAR 107,440,000) in addition to lands at a fair value of seventeen million and five hundred and sixty hundred thousand Saudi Riyals (SAR 17,560,000). The title of the in-kind shares in the Saudi Tharwa Company and the lands was transferred from Al Fozan Holding Company to the Company. The new shares issued by the Company were then distributed among the Shareholders in proportion to their shareholding as per an agreement made between the Shareholders and in accordance with the resolution of the Extraordinary Assembly dated 09/05/1442H (corresponding to 24/12/2020G).

Table (4-6): Shareholding as of 09/05/1442H (corresponding to 24/12/2020G):

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	95%	36,625,000	10
Abdullah Faisal Al-Braikan	5%	1,875,000	10
Total	**100%**	**37,500,000**	-

Source: the Company

On 19/10/1442H (corresponding to 31/05/2021G), the Company's Extraordinary General Assembly approved a capital increase from three hundred and seventy-five million Saudi Riyals (SAR 375,000,000) to four hundred million Saudi Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary shares with a nominal value of ten Riyals (SAR 10) per share, by issuing five hundred thousand (500,000) fully paid new ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share through the capitalization of twenty million Saudi Riyals (SAR 20,000,000) from the Company's retained earnings account, in addition to five million Saudi Riyals (SAR 5,000,000) deposited in cash in the Company's bank account; with (i) Al Saham Holding Company, (ii) Athman Holding Company, (iii) Gheras Holding Company and (iv) Maali Al Khaleej Trading Company entering the Company as new Shareholders, distributed to shareholders as follows:

Table (4-7): Shareholding as of 19/10/1442H (corresponding to 31/05/2021G):

Shareholder	Shareholding	Number of Shares	Per Share Value
Al Fozan Holding Company	93.75%	37,500,000	10
Abdullah Faisal Al-Braikan	5%	2,000,000	10
Al Saham Holding Company	0.3125%	125,000	10
Athman Holding Company	0.3125%	125,000	10
Gheras Holding Company	0.3125%	125,000	10
Maali Al Khaleej Trading Company	0.3125%	125,000	10
Total	**100%**	**40,000,000**	-

Source: the Company

4.5 Key Developments of the Company since Establishment

The following table shows the Company's key developments since its establishment up to the date of this Prospectus.

Table (4-8): Key developments since the Company's establishment:

Year	Event/Development
2012G	Company established in the Eastern Region of Saudi Arabia
2013G	Company's capital was increased from SAR 500,000 to SAR 10,000,000.
2014G	The Company launched its first residential projects bearing the "**Ewan**" brand, targeting middle to high income segments.
2016G	The Company acquires Tadbeir Real Estate Company specialized in facilities management and real estate services.
2017G	The Company acquires Building Construction Company specialized in residential and non-residential public construction.
2017G	The Company acquires Nesaj Urban Development Company specialized in construction project management.
2018G	The Company sells a total of 224 units.
2018G	The Company launches its first projects under the "**Nesaj Town**" brand, in cooperation with the National Housing Company and the MoMRAH, to implement about 674 housing units.
2019G	Company's capital was increased from SAR 10,000,000 to SAR 250,000,000.
2019G	The Company signs a strategic partnership with Mimar Emirates Engineering Consultant.
2019G	The Company sells a total of 570 units.
2019G	The Company is honored as the best real estate developer in the Kingdom for 2019G by the MoMRAH.
2020G	Development of the first Nesaj Town projects is completed.
2020G	Company is converted from a limited liability company to a closed joint stock company.
2020G	Company's capital was increased from SAR 250,000,000 to SAR 375,000,000.
2020G	The Company sells a total of 2,010 units.

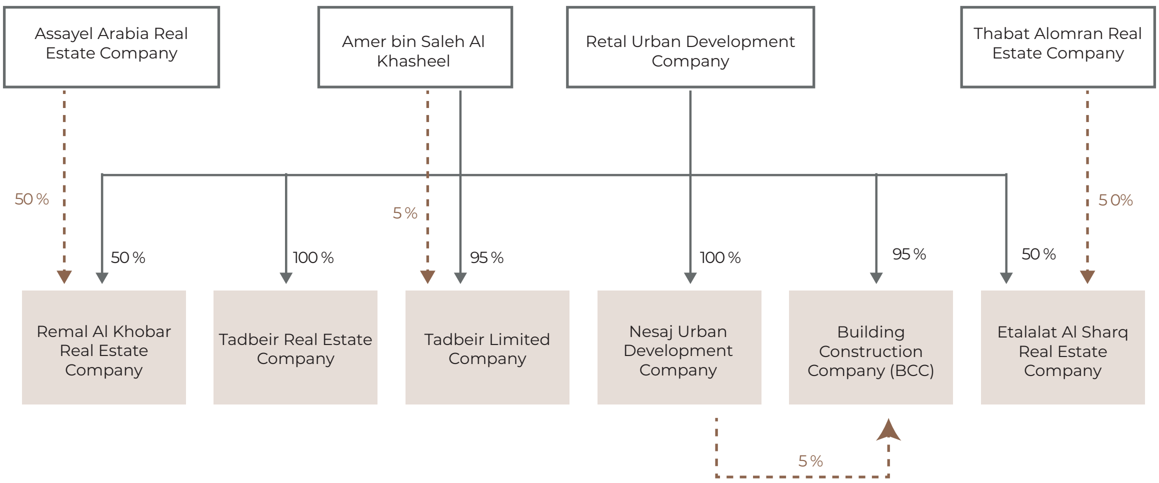
Year	Event/Development
2020G	The Company launches its first projects under the "**Ayala**" brand, targeting high-income segments.
2020G	The Company launches an electronic reservation portal, which enables customers to reserve and modify their units in an exceptional virtual experience.
2021G	Company's capital was increased from SAR 375,000,000 to SAR 400,000,000.
2021G	Company won "**2020G Best Developer**" award by the MoMRAH for the second consecutive year.
2021G	The Company launches a real estate development fund that raised more than half a billion Riyals to invest in the "**Marasi Al-Khobar**" project, located between Dammam and Al-Khobar, as part of a 7.5 billion Riyal strategic partnership with Alpha Capital.
2021G	A branch of Tadbeir Limited Company was converted to Tadbeir Real Estate Company, a real estate services company.
2021G	Remal Al Khobar Real Estate Company was established as a Subsidiary and an agreement was made with Nobu International Hotel Management Company to establish Nobu Al-Khobar Hotel
2021G	The Company launched a real estate development fund that raised over a billion Saudi Riyals to invest in the "**Marasi Al-Khobar**" project, located between Dammam and Al-Khobar, as part of a strategic SAR 7.5 billion partnership with Alpha Capital.
2021G	ROSHN, the national real estate developer for residential areas, chose the Company as the first real estate developer for a partnership to develop more than 100 residential units in Riyadh.
2022G	The Company received the Residential Projects Excellence Award 2022G for its Nesaj Town Riyadh project in the Residential Forum that was held in Riyadh

Source: the Company

4.6 Overview of the Structure of the Company and its Subsidiaries

The following chart illustrates the structure of the Company and its subsidiaries, as of the date of this Prospectus.

Figure (4-1): Company's structure at the date of this Prospectus



The following table shows the Company's subsidiaries, as of the date of this Prospectus.

Table (4-9): Summary of basic information about the Company's subsidiaries

No.	Subsidiary	CR Number	Capital (SAR)	Direct Ownership by the Company	Indirect Ownership by the Company
1	Nesaj Urban Development Company Single Shareholder Company	2051049871	10,000,000	100%	0%
2	Tadbeir Limited Company	2051059223	5,000,000	95%	0%
3	Building Construction Company	2051023581	5,000,000	95%	5%
4	Tadbeir Real Estate Company	2051063497	250,000	100%	0%
5	Remal Al Khobar Real Estate Company	2051236572	500,000	50%	0%
6	Etlalat Al Sharq Real Estate Company	2051234026	1,000,000	50%	0%

4.6.1 Overview of Subsidiaries

Following is an overview of the Company's Subsidiaries

4.6.1.1 Nesaj Urban Development Company (Single Shareholder Company)

Nesaj Urban Development Company (Single Shareholder Company) is a limited liability company registered under Commercial Register No. 2051049871 dated 17/09/1433H (corresponding to 05/08/2012G). The head office of Nesaj Urban Development Company is located in Al-Khobar, Kingdom of Saudi Arabia. Nesaj Urban Development Company has a capital of ten million Saudi Riyals (SAR 10,000,000), divided into one hundred thousand (100,000) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Nesaj Urban Development Company include the management of construction projects. The following table shows the ownership structure of Nesaj Urban Development Company, a Single Shareholder Company, as of the date of this Prospectus.

Table (4-10): The ownership structure of Nesaj Urban Development Company (Single Shareholder Company), as of the date of this Prospectus

Shareholder	Shareholding	Number of Shares	Per Share Value
Retal Urban Development Company	100%	100,000	100
Total	**100%**	**100,000**	-

Source: the Company

4.6.1.2 Tadbeir Limited Company

Tadbeir Limited Company is a limited liability company registered under Commercial Register No. 2051059223 dated 11/01/1436H (corresponding to 04/11/2014G). The head office of Tadbeir Limited Company is located in Al-Khobar, Kingdom of Saudi Arabia. Tadbeir Limited Company has a capital of 5 million Saudi Riyals (SAR 5,000,000), divided into fifty thousand (50,000) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Tadbeir Limited Company include building finishing and cleaning post-construction new buildings. The following table shows the ownership structure of Tadbeir Limited Company, as of the date of this Prospectus.

Table (4-11): The ownership structure of Tadbeir Limited Company, as of the date of this Prospectus

Shareholder	Shareholding	Number of Shares	Per Share Value
Retal Urban Development Company	95%	47,500	100
Amer bin Saleh Al Khashel	5%	2,500	100
Total	**100%**	**50,000**	-

Source: the Company

4.6.1.3 Building Construction Company Limited

Building Construction Company Limited is a limited liability company registered under Commercial Register No. 2051023581 dated 15/06/1420H (corresponding to 25/09/1999G). The head office of Building Construction Company Limited is located in Al-Khobar, Kingdom of Saudi Arabia. Building Construction Company Limited has a capital of five million Saudi Riyals (SAR 5,000,000), divided into fifty thousand (50,000) shares, with a nominal value of one hundred Saudi Riyals (SAR 1,000) per share.

Under its Commercial Register, the main business activities of Building Construction Company Limited include general construction of residential buildings, general construction of non-residential buildings (including schools, hospitals, hotels, etc.), general construction of government buildings, electrical wiring, communication wiring, and building finishing. The following table shows the ownership structure of Tadbeir Limited Company, as of the date of this Prospectus.

Table (4-12): The ownership structure of Building Construction Company Limited, as of the date of this Prospectus

Shareholder	Shareholding	Number of Shares	Per Share Value
Retal Urban Development Company	95%	4,750	4,750,000
Nesaj Urban Development Company	5%	250	250,000
Total	**100%**	**5,000**	-

Source: the Company

4.6.1.4 Tadbeir Real Estate Company (Single Shareholder Company)

Tadbeir Real Estate Company (Single Shareholder Company) is a limited liability company registered under Commercial Register No. 2051063497 dated 06/04/1438H (corresponding to 04/01/2017G). The head office of Tadbeir Real Estate Company is located in Al-Khobar, Kingdom of Saudi Arabia. Building Construction Company Limited has a capital of two hundred and fifty thousand Saudi Riyals (SAR 250,000), divided into two thousand (2,000) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Tadbeir Real Estate Company include buying, selling and subdividing land and real estate, off-plan sales activities, management and leasing of owned or leased properties (residential), management and leasing of owned or leased properties (non-residential), real estate brokerage (brokers' offices), real estate management activities for a commission, and sale of fixed and movable assets. The following table shows the ownership structure of Tadbeir Real Estate Company (Single Shareholder Company), as of the date of this Prospectus.

Table (4-13): The ownership structure of Tadbeir Real Estate Company (Single Shareholder Company), as of the date of this Prospectus

Shareholder	Shareholding	Number of Shares	Per Share Value
Retal Urban Development Company	100%	2,500	250,000
Total	**100%**	**2,500**	-

Source: the Company

4.6.1.5 Remal Al Khobar Real Estate Company

Remal Al Khobar Real Estate Company is a limited liability company registered under Commercial Register No. 2051236572 dated 23/12/1442H (corresponding to 02/08/2021G). The head office of Remal Al Khobar Real Estate Company is located in Al-Khobar, Kingdom of Saudi Arabia. It has a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five thousand (5,000) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main activities of Remal Al Khobar Real Estate Company include general construction of residential buildings and general construction of non-residential buildings (including schools, hospitals, hotels, etc.). The following table shows the ownership structure of Remal Al Khobar Real Estate Company, as of the date of this Prospectus.

Table (4-14): The ownership structure of Remal Al Khobar Real Estate Company, as of the date of this Prospectus

Shareholder	Shareholding	Number of Shares	Per Share Value
Retal Urban Development Company	50%	2,500	100
Assayel Arabia Real Estate Company	50%	2,500	100
Total	**100%**	**5,000**	-

Source: the Company

4.6.1.6 Etlalat Al Sharq Real Estate Company[1]

Etlalat Al Sharq Real Estate Company is a limited liability company registered under Commercial Register No. 2051234026 dated 18/06/1442H (corresponding to 31/01/2021G). The head office of Etlalat Al Sharq Real Estate Company is located in Al-Khobar, Kingdom of Saudi Arabia. It has a capital of one million Saudi Riyals (SAR 1,000,000), divided into ten thousand (10,000) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main activities of Etlalat Al Sharq Real Estate Company include general construction of residential buildings, general construction of government buildings, real estate development of residential buildings following modern construction methods, management and leasing of owned or leased (residential) properties, management and leasing of owned or leased (non-residential) properties, management and leasing of self-storage stores, management and operation of hotel apartments, and commission-based real estate management activities. The following table shows the ownership structure of Etlalat Al Sharq Real Estate Company, as of the date of this Prospectus.

Table (4-15): The ownership structure of Etlalat Al Sharq Real Estate Company, as of the date of this Prospectus

Shareholder	Shareholding	Number of Shares	Per Share Value
Retal Urban Development Company	50%	5,000	100
Thabat Alomran Real Estate Company (Single Shareholder Company)	50%	5,000	100
Total	**100%**	**10,000**	-

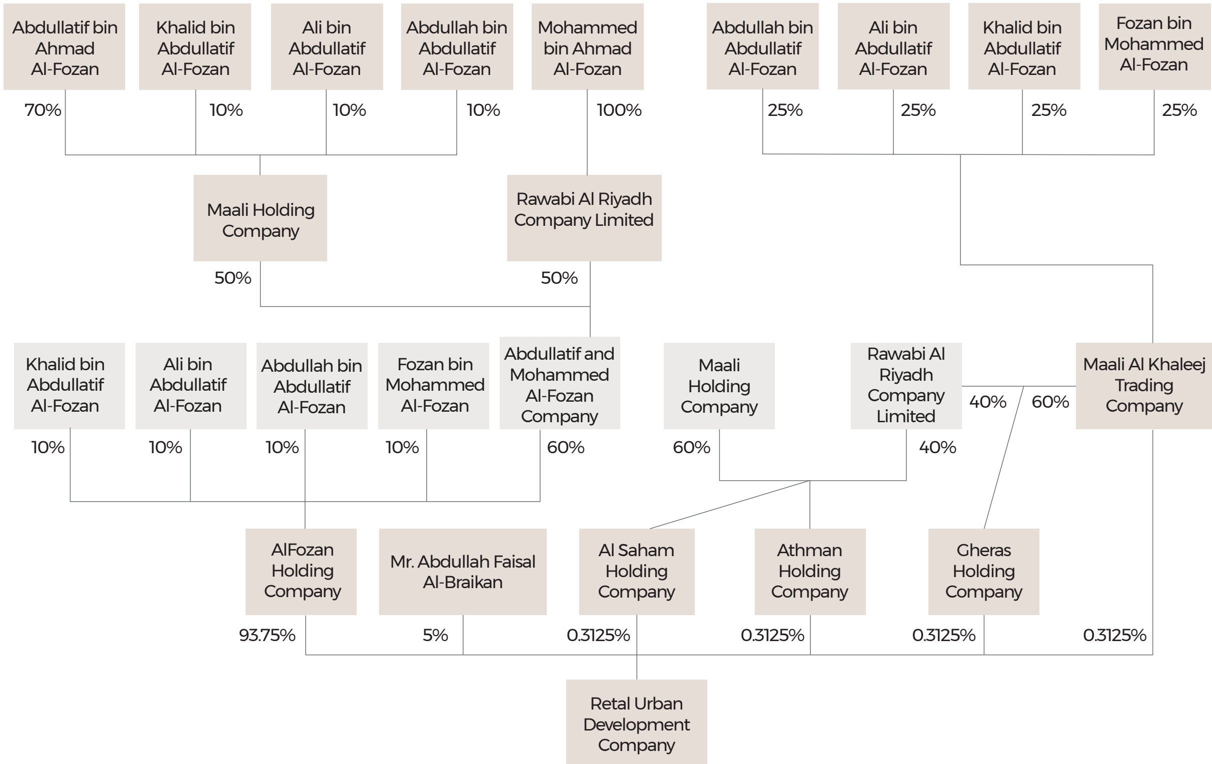
Source: the Company

1 It should be noted that the shareholders are in the process of passing a shareholders' resolution to liquidate this company. As at the date of this Prospectus, Etlalat Al Sharq Real Estate Company has not conducted any business nor engaged in any activity since its establishment, and does not own any assets or properties.

4.7 Overview of the Shareholders

The following chart shows the ownership structure of the Company:

Figure (4-2): The Company's ownership structure as of the date of this Prospectus



4.7.1 Al Fozan Holding Company (Closed Joint Stock Company)

Al Fozan Holding Company is a Closed Joint Stock Company registered under Commercial Register No. 2051026044 dated 20/01/1423H (corresponding to 03/04/2002G). The head office of Al Fozan Holding Company is located in Al-Khobar, Kingdom of Saudi Arabia. Al Fozan Holding Company has a capital of five hundred million Saudi Riyals (SAR 500,000,000), divided into fifty million (50,000,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share.

Under its Commercial Register, the main business activities of Al Fozan Holding Company include the management of the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables of holding companies, and providing loans, guarantees and financing for holding companies. The following table shows the ownership structure of Al Fozan Holding Company, as of the date of this Prospectus.

Table (4-16): The ownership structure of Al Fozan Holding Company, as of the date of this Prospectus

Shareholder	Shareholding
Khalid bin Abdullatif Al-Fozan	10%
Ali bin Abdullatif bin Ahmed Al-Fozan	10%
Abdullatif and Mohammed Al Fozan Company	60%
Abdullah bin Abdullatif bin Ahmed Al-Fozan	10%
Fozan bin Mohammed bin Ahmed Al-Fozan	10%
Total	**100%**

Source: the Company

4.7.1.1 Abdullatif and Mohammed Al Fozan Company

Abdullatif and Mohammed Al Fozan Company is a Closed Joint Stock Company registered under Commercial Register No. 2051001547 dated 19/11/1390H (corresponding to 17/01/1971G). The head office of Abdullatif and Mohammed Al Fozan Company is located in Al-Khobar, Kingdom of Saudi Arabia. Abdullatif and Mohammed Al Fozan Company has a capital of seven hundred million Saudi Riyals (SAR 700,000,000), divided into seventy million (70,000,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share.

Under its Commercial Register, the main business activities of Abdullatif and Mohammed Al-Fozan Company include the management of the subsidiaries, investing the funds thereof, owning the necessary real estate and movables, and providing loans, guarantees and financing for subsidiaries. The following table shows the ownership structure of Abdullatif and Mohammed Al-Fozan Company, as of the date of this Prospectus.

Table (4-17): The ownership structure of Abdullatif and Mohammed Al Fozan Company, as of the date of this Prospectus

Shareholder	Shareholding
Maali Holding Company Closed Joint Stock Company	50%
Rawabi Riyadh Company Limited Single Shareholder Company	50%
Total	**100%**

Source: the Company

4.7.2 Maali Holding Company (Closed Joint Stock)

Maali Holding Company is a Closed Joint Stock Company registered under Commercial Register No. 2051023645 dated 09/07/1420H (corresponding to 18/10/1999G). The head office of Maali Holding Company is located in Al-Khobar, Kingdom of Saudi Arabia. Maali Holding Company has a capital of one hundred million Saudi Riyals (SAR 100,000,000), divided into ten million (10,000,000) shares, with a nominal value of ten Saudi Riyals (SAR 10) per share.

Under its Commercial Register, the main business activities of Maali Holding Company include the management of the subsidiaries, or participating in the management of other companies in which it contributes, providing the necessary support therefor, investing its funds in shares and other securities, owning real estate and movables necessary to conduct its activities, providing loans, guarantees and financing for subsidiaries, and owning industrial property rights such as patents, industrial and franchise trademarks. The following table shows the ownership structure of Maali Holding Company, as of the date of this Prospectus.

Table (4-18): The ownership structure of Maali Holding Company, as of the date of this Prospectus:

Shareholder	Shareholding
Abdullatif bin Ahmed Al-Fozan	70%
Khalid bin Abdullatif bin Ahmed Al-Fozan	10%
Ali bin Abdullatif bin Ahmed Al-Fozan	10%
Abdullah bin Abdullatif bin Ahmed Al-Fozan	10%
Total	**100%**

Source: the Company

4.7.2.1 Rawabi Riyadh Company Limited (Single Shareholder Company)

Rawabi Riyadh Company Limited is a Single Shareholder Limited Liability Company registered under Commercial Register No. 2051221119 dated 23/07/1439H (corresponding to 09/04/2018G). The head office of Rawabi Riyadh Company Limited is located in Al-Khobar, Kingdom of Saudi Arabia. Rawabi Riyadh Company Limited has a capital of twenty thousand Saudi Riyals (SAR 20,000), divided into two hundred (200) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Rawabi Riyadh Company Limited include the wholesale of household appliances, wholesale and retail of wood of all kinds, wholesale and retail of sanitary ware and fittings, heaters and water tanks, wholesale and retail of tools and hand tools, and retail of electrical appliances and fittings. The following table shows the ownership structure of Rawabi Riyadh Company Limited, as of the date of this Prospectus.

Table (4-19): The ownership structure of Rawabi Riyadh Company Limited, as of the date of this Prospectus:

Shareholder	Shareholding
Mohammed bin Ahmed Al-Fozan	100%
Total	**100%**

Source: the Company

4.7.3 Al Saham Holding Company

Al Saham Holding Company is a Limited Liability Company registered under Commercial Register No. 2051234572 dated 25/07/1442H (corresponding to 09/03/2021G). The head office of Al Saham Holding Company is located in Al-Khobar, Kingdom of Saudi Arabia. Al Saham Holding Company has a capital of fifty thousand Saudi Riyals (SAR 50,000), divided into five hundred (500) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Al Saham Holding Company include managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies. The following table shows the ownership structure of Al Saham Holding Company, as of the date of this Prospectus.

Table (4-20): The ownership structure of Al Saham Holding Company, as of the date of this Prospectus

Shareholder	Shareholding
Rawabi Riyadh Company Limited	40%
Maali Holding Company	60%
Total	**100%**

Source: the Company

4.7.4 Athman Holding Company

Athman Holding Company is a Limited Liability Company registered under Commercial Register No. 2051234573 dated 25/07/1442H (corresponding to 09/03/2021G). The head office of Athman Holding Company is located in Al-Khobar, Kingdom of Saudi Arabia. Athman Holding Company has a capital of fifty thousand Saudi Riyals (SAR 50,000), divided into five hundred (500) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Athman Holding Company include managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary properties and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies. The following table shows the ownership structure of Athman Holding Company, as of the date of this Prospectus.

Table (4-21): The ownership structure of Athman Holding Company, as of the date of this Prospectus

Shareholder	Shareholding
Rawabi Riyadh Company Limited	40%
Maali Holding Company	60%
Total	**100%**

Source: the Company

4.7.5 Gheras Holding Company

Gheras Holding Company is a limited liability company registered under Commercial Register No. 2051234498 dated 20/07/1442H (corresponding to 04/03/2021G). The head office of Gheras Holding Company is located in Al-Khobar, Kingdom of Saudi Arabia. Gheras Holding Company has a capital of fifty thousand Saudi Riyals (SAR 50,000), divided into five hundred (500) shares, with a nominal value of one hundred Saudi Riyals (SAR 100) per share.

Under its Commercial Register, the main business activities of Gheras Holding Company include managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies. The following table shows the ownership structure of Gheras Holding Company, as of the date of this Prospectus.

Table (4-22): The ownership structure of Gheras Holding Company, as of the date of this Prospectus

Shareholder	Shareholding
Rawabi Riyadh Company Limited	40%
Maali Al Khaleej	60%
Total	**100%**

Source: the Company

4.7.6 Maali Al Khaleej Trading Company

Maali Al Khaleej Trading Company is a Limited Liability Company registered under Commercial Register No. 2051033057 dated 04/08/1427H (corresponding to 28/08/2006G). The head office of Maali Al Khaleej Trading Company is located in Al-Khobar, Kingdom of Saudi Arabia. Maali Al Khaleej Trading Company has a capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into five hundred (500) shares, with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share.

Under its Commercial Register, the main business activities of Maali Al Khaleej Trading Company include the retail sale of metal hardware, carpentry and blacksmith tools and equipment, retail sale of electrical tools and installations. The following table shows the ownership structure of Maali Al Khaleej Trading Company, as of the date of this Prospectus.

Table (4-23): The ownership structure of Maali Al Khaleej Trading Company, as of the date of this Prospectus

Shareholder	Shareholding
Khalid bin Abdullatif Al-Fozan	25%
Abdullah bin Abdullatif bin Ahmed Al-Fozan	25%
Ali bin Abdullatif bin Ahmed Al-Fozan	25%
Fozan bin Mohammed bin Ahmed Al-Fozan	25%
Total	**100%**

Source: the Company

4.8 Overview of the Company's Principal Activities

The Company manages the development of residential integrated lifestyle communities, from concept development and design, through to construction, off-plan sales and marketing of real estate. In conjunction with construction firms, the Company oversees and seeks to ensure that projects are completed within budget and to the highest standards. The Company's projects typically contain BTS assets and recreational amenities such as parks, water features and outdoor spaces.

4.8.1 Key Performance Indicators

The following table sets forth the Company's operating metrics which the Directors consider to be its key performance indicators for the past three financial years. The Company has also experienced consistent positive cash flow over each period which has enabled the Company to service its debt and support its future development and expansion.

Table (4-24): The Company's Key Performance Indicators

Key Performance Indicator	FY18G	FY19G	FY20G	Period Ended 30 September 2021G
Total sales / (unconsolidated) at the end of the period	250,909	593,239	881,798	982,351
Total sales / (consolidated) at the end of the period	**209,010**	**456,536**	**587,451**	**613,347**
Total units sold	224	570	2,010	546
Gross profit margin	14.7%	17.0%	21.2%	23.7%
Operating profit margin	2.5%	10.5%	15.4%	17.1%
Profit margin for the period	1.3%	13.1%	16.8%	19.5%
Return on equity	2.1%	25.1%	22.8%	29.5%
Return on total assets	0.6%	10.0%	10.7%	11.6%

Source: the Company

4.8.2 Business Model

4.8.2.1 Overview

The central elements of the Company's business model are (i) the creation of integrated lifestyle master plan communities, with a focus on affordable and mid-market segments as well as luxury; (ii) partnering with governments and/or key local business partners; and (iii) the project development process and off-plan sales. The Company's integrated lifestyle master plan communities combine residential and commercial units with retail, hospitality and leisure attractions. The Company's residential units comprise apartments and villas servicing the mid and luxury markets in addition to villas targeting the affordable market range. The Company seeks to enter into partnerships or strategic alliances with local partners, who provide the Company with development rights to plots of desirable land at attractive prices. These partners are typically government entities (such as the MoMRAH and other private partners).

The following chart sets out key information in respect of the Company's historical and current projects:

Project name	Location	Project value (SAR '000,000)	No. of units	No. of types	Built-up Area (SQM)	Project start date	Project completion date
I. Completed projects							
Retal square	Al-Khobar	94	96	2	17,500	2013	2015
Ewan Al Nawras	Dammam	114.6	78	4	37,200	2013	2015
Sakanat Al Nada	Dammam	36.6	28	1	14,100	2013	2014
Sakanat Al Safa	Dammam	52	56	3	16,400	2014	2015
Al Dawahi	Dammam	167.5	133	3	60,519	2014	2016
Ewan Al Qayrawan	Dammam	290	164	5	65,000	2014	2016
Retal Residence	Al-Khobar	380	416	7	81,000	2015	2018
Block 144	Dammam	23.1	15	3	11,700	2015	2016
The Grand	Dammam	50.5	126	8	37,500	2015	2017
AOU	Dammam	22	N/A (7 Floors)	1	6,500	2016	2017

Project name	Location	Project value (SAR '000,000)	No. of units	No. of types	Built-up Area (SQM)	Project start date	Project completion date
The Valley	Al Ahsa	39.5 (approx.)	36 show rooms	N.A.	7,430	2016	2017
Ewan Al Maali	Al-Khobar	174.6	76	3	41,765	2016	2018
Ewan Al Nahda	Dammam	60.5	37	2	17,520	2017	2019
Nesaj Town 1	Dammam	370	674	4	20,2962	2018	2020
Retal Business Center	Al-Khobar	23.5	N/A (7 floors)	1	5,392	2019	2020
II. Ongoing projects							
Nesaj Town Al-Khobar	Al-Khobar	196	170	5	56,687	2020	2022
Coya	Al-Khobar	102	104	4	26,515	2022	2024
Nesaj Town 2	Dammam	1,034	1,653	3	506,982	2020	2022
Ayala Al-Nakheel	Al-Khobar	184	59	3	36,315	2020	2022
Nesaj Town - Riyadh 1	Riyadh	457.6	690	5	233,968	2021	2022
Marasi Al-Khobar	Dammam	360	200	3	80,304	2022	2024
Tharwa Town	Dammam	688	411	2	158,294	2022	2024
III. Upcoming Projects							
Retal Rise	Al-Khobar	313.9	286	1	66,450	2021	2024
Retal Blue	Al-Khobar	1,552.3	364	6	95,000	2022	2025
Ewan Sidra	Riyadh	193.9	103	4	33,475	2021	2023
Nesaj Town 2 – AlNarjes	Riyadh	371,8	455	3	147,875	2021	2023
Nesaj Town – Safwa	Al-Qatif	443.8	371	2	136,234	2022	2025
Ayala Al-Malqa	Riyadh	415.4	71	2	41,540	2021	2024
Nesaj Town Al-Ahsa	Al-Ahsa	1,056.2	969	3	340,000	2022	2024
Retal Business Center	Riyadh	619.4	78	13	81,244	2022	2023
The Place	Al-Ahsa	63.4	15	2		2022	2023

Source: the Company

4.8.2.2 Project Development Model and Construction

In recent years, the Company has transitioned from an 'on plan' to 'off-plan' project development model. Under the Company's 'off plan' model, sales are agreed before construction which enables the Company to mitigate market risk and significantly improve profitability. In particular, the purchase funds from the Company's customers are held in escrow and withdrawals made on the basis of a percentage of the project completed (as certified appropriately).

All new design and construction projects undertaken by the Company follow a rigorous standard development process. The process is designed to ensure consistent oversight so that all development projects are executed in line with the Company's overall strategy and represent economically sound investments.

The Company's project development process is comprised of five stages, which are followed for the development of all new residential and commercial projects. Each of the five stages of the development process are subject to formal governance measures to ensure that appropriate internal approvals are obtained before the next stage is undertaken. The average total delivery time for a project under this process is between 2 and 3 years.

The expertise of the Company's business and project development functions is employed at each step of the Company's five-stage process set out below.

4.8.2.2.1 Stage 1: Project Selection and Assessment

Potential projects are identified by the Business Development Department and these are generally sourced from; (i) land acquired and owned by the Company; (ii) development opportunities with the MoMRAH; and/or (iii) development opportunities with third parties. Development opportunities with the MoMRAH are presented via tenders in which the Company competes with other developers to be selected as the project developer.

Once a potential project has been identified (including through invitations to tender from the MoMRAH) an internal preliminary assessment is carried out by the Business Development Department to determine whether the project is feasible. A project is generally considered feasible if it meets the following criteria:

- expected return on investment exceeds acceptable levels;
- location and scale of project is suitable to attract target customer demographic;
- valid legal title to the land is held, either by the Company or the project owner;
- appropriate development related permits and approvals can be obtained; and
- the project will enhance the surrounding community.

To determine whether the above criteria are met, the preliminary assessment involves due diligence which addresses legal matters concerning the land and zoning and certain financial considerations such as indicative construction and development costs. A high level market analysis is also carried out which focuses on the current and projected population demographics, current and potential competing developments, surrounding infrastructure and any environmental or community factors which may impact the development site. The assessment is also supplemented by market intelligence from the Company's Sales and Marketing Department, which provides valuable insight into current trends in customer demand for different types of residential units, features and layouts.

The preliminary assessment culminates in the development of a project design brief and a business plan. The business plan focuses on assessing the new development opportunity and presents a development brief which takes into account market research to scope out competitors, technical and legal due diligence, a KPI study as well as a risk analysis in relation to the business and land itself.

The project design brief and business plan are then presented to the Board for review and approval. If Board approval is received, then the Company is mandated to proceed to Stage 2 where a detailed feasibility study and project design brief are completed. In the case of a tender opportunity with the MoMRAH, the Company proceeds with the tender and submits the project design brief and business plan as part of its tender proposal.

4.8.2.2.2 Stage 2: Project Creation and Planning

During the second stage following project selection and assessment, detailed feasibility and market studies are prepared to assist in defining the project's concept and parameters.

The aim of the more detailed feasibility study at Stage 2 is to determine the concept of the project and key success criteria. The project proposal is defined and the feasibility study is developed into a business and financial plan with more detailed criteria. These criteria include technical, legal and financial due diligence, a master development schedule and a marketing and sales strategy which defines the target market and the project's concept. The criteria are developed and analyzed together with benchmarking and sensitivities. This creates a clear understanding of the financial, resourcing and risk implications of the proposed project.

The purpose of the market study at this stage is to assess potential demand for the development whilst taking into account the supply of comparable residential property and the impact of competitors in the market. The market study is used to formulate the price of the residential units based on a very detailed study of supply, demand and market prices. Typically the detailed feasibility study and market study are conducted by third party consultants who are instructed by the Company's Business Development Department.

During this phase, the Company also conducts project partner due diligence following which it short-lists the consultants that the Company will engage for the design, marketing and sales associated with the project. A 'request for design' is then sent to short-listed design consultants following which a design consultant is selected and engaged. The Business Development Department then works with the design consultant to develop high-level sketch options in accordance with the approved concept which are then further developed into detailed concept designs. The Company also appoints a Supervising Consultant who is responsible for submitting monthly progress reports to WAFI to verify when the construction milestones set by the Company's Off-Plan Sales License has been achieved.

At the conclusion of the second phase, the results of the feasibility study and market studies together with the design concept are combined into the business plan which is approved by the Board. Based on this approval, the Company is mandated to complete final designs and launch its marketing campaign for off-plan sales.

4.8.2.2.3 Stage 3: Detailed Design, Marketing and Sales

The third stage begins with the Development Department assigning a Development Manager to oversee the design aspects of the project. The Design Team shortlists a third party design consultant and then the Design Committee and Supply Chain Department decide to which design consultant to award the project. The third party design consultant prepares detailed construction and interior designs which are submitted to the Design Committee for approval. The Development Manager then distributes the design package to the Sales and Marketing and Supply Chain Departments. The detailed designs enable the Sales and Marketing Department to develop floor plans, interior fit-out options and 3-D renders, which enable customers to visualise the units.

Following completion of the detailed design, the Supply Chain Department prepares a design package which details the scope of work to be carried out to execute the project. It also includes details of the budget estimates for the proposed project. The business plan for the project is then updated to include the design package and detailed designs and is submitted to the Design Committee for approval.

In parallel with the detailed design process, a marketing and sales plan for the project is developed which is tailored to the relevant target market. The marketing and sales plan generally includes the launch plan and a marketing strategy informed by key insights from the Sales and Marketing and Development Departments. Guidance on pricing is given by the Committee for Marketing and Sales based on certain assumptions, which include the achievement of project KPIs and targeted net profit margins. The Company also uses the market research conducted during stage 2 of the Project Development Model to scope prices set by competitors and checks market prices in other locations to see if the Company's proposed price for units is in line with current market standards. Marketing plans include a mix of communication channels, with a strategic focus on digital and social media and other web-based platforms.

Following the completion of the detailed plans, the Company applies to the relevant Municipality to obtain the Building Permit which is required to authorize the construction of the project in accordance with the architectural plans submitted to the Municipality. Generally, Building Permits are required in respect of each unit which is constructed on its own land title. However, given that the individual titles for units cannot be issued until construction of the unit is complete, the Company applies to the MoMRAH for an exemption which enables the Municipality to issue a Building Permit based on the single land title for the whole development. The Building Permit is generally obtained within 3 to 4 weeks from the point at which the Municipality has received all documents required for the purposes of the application.

Following the issue of the Building Permit, the Company applies for the 'Off-Plan Sales License' for the project from WAFI which enables the Company to launch sales before construction of the units commences. To obtain the 'Off Plan Sales License', the Company must submit a building license, title deeds, design packages, the sales price of the units, the Supervising Consultant contract, the public accountant auditor contract, an escrow account and the Company's legal documents.

Once the Building Permit is obtained, the Company launches its marketing strategy. The Company's marketing strategy combines impact campaigns, including engaging launch events, insight driven online and social media marketing and a best-in-class sales experience. In addition to the communication initiatives supporting the Company's advertising, branding and promotional events for the Company's projects, the Company also has display model units to give customers a sense of how the project will look and feel.

Based on the recent success of off-plan sales for Nesaj Town Riyadh where 100%. of units were sold within 4 days of launch, the Company currently sets relatively short time frames for its marketing campaign and completion of off-plan sales. Please see Section 4.8.5 ("**Customers and Terms of Sales**") for a discussion on the terms of sales applicable to customers.

On the launch date, prospective customers are served either on a first-come-first-served basis or based on pre-registration. The Company has a highly effective sales force, consisting of a team of 17 sales professionals as of 30 September 2021G, which helps to convert leads into sales.

4.8.2.2.4 Stage 4: Construction and Development

Once the Company has achieved off-plan sales for the targeted proportion of the project, the construction and development phase immediately commences with tenders or invitations for potential contractors to submit proposals for each phase of development and construction of the project.

Potential contractors are chosen based on their track record, their ability to complete the project and their relevant experience. Submitted bids are evaluated, with particular attention paid to the skill set and expertise (e.g., in design, cost consulting or construction) that the Company requires for the proposed project and the pricing proposal. A tender report detailing the results of the process is prepared and submitted by the Development Department to the Supply Chain Department who shortlists contractors based on the nature and size of the project and experiences with the contractor in the past. The Supply Chain Department evaluates the tenders and approves the award of contracts. Once approval is received, the contract is awarded to the relevant contractor. Depending on the scale of the project more than one contractor maybe appointed. These are often appointed as sub-contractors by BCC, in cases where BCC has been appointed as the main contractor which is typically the case for projects owned by the MoMRAH.

The Supply Chain Department is responsible for ensuring that consistency, transparency and integrity of the tender processes and procedures are maintained even when dealing with the Company's subsidiaries. Strict guidelines are followed and all tendering parties must first sign a non-disclosure agreement prior to receiving project information and tender documents. Tenders are closely controlled and all participating parties are afforded the same opportunity to provide compliant bids. All necessary management approvals are sought where relevant during the tender process.

The Company believes that it is able to attract quality contractors at competitive prices since the Company has become a partner of choice thanks to its growing portfolio of completed and ongoing, large-scale projects.

The terms of the construction contracts require that construction is undertaken by the contractor in accordance with the detailed designs which have been approved in Stage 3. The costs, time and associated construction risks are closely monitored throughout this phase by the Project Manager alongside the Company's in-house Business Development Department with a view to achieving handover on time and within scope and budget. The Project Manager is responsible for managing the construction and third party consultancy services procured in relation to the construction, as well as all other works relating to a project, and may accept or reject such works accordingly. Any adverse construction or project results such as a cost overruns are referred to the Board.

During the period of construction the Company provides construction progress updates to the relevant Municipality. Upon completion of construction of 70% of units, the Municipality conducts an inspection of the project and "**as built plans**" to verify that the project has been constructed in accordance with the building plans, which were approved at the time the Building Permit was issued. Following the inspection, the Municipality issues the Building Completion Certificate which is required for all except residential projects.

Once the Building Completion Certificate has been issued, the Company's Government Relations Consultant liaises with the Municipality in relation to the sorting of the title deeds and, following approvals from relevant departments, the Municipality provides segregated title deeds to its sales and legal department for review. The Government Relations Consultant then applies for connection of the water and electricity meters by providing relevant documentation including identification documents relating to the customer. Subject to authorization from the legal department of the Municipality, the legal title to the unit is transferred to the owner.

The Customer Care Department then prepares the handover guidelines for customers and documents to be provided at handover. The Company typically provides customers with a 10-year structure warranty and offers one year of maintenance services for their residential units. The Company also typically provides warranties from 1 to 10 years over items such as electrical equipment, heaters and water tanks depending on the relevant item's supplier.

4.8.2.2.5 Stage 5: Handover and Exit

During Stage 5, the Project Management Department is responsible for commissioning the project to ensure that the handover guidelines are followed and the unit is delivered to the client. This process includes an inspection by the Development Department, represented by the client representative engineers, which is undertaken to ensure that construction and interior fit-out works meet the Company's quality standards and match the preferences chosen by the customer.

The Project Manager coordinates with the consultant to prepare a log of handover requirements such as the necessary documentation, approvals and permits. The consultant then manages and coordinates the inspection, testing and commissioning by Company personnel, other consultants, contractors and statutory authorities. The consultant prepares and submits a Testing and Commissioning Plan for approval by the Company which the Company then circulates to relevant internal and external stakeholders on the project for review and comments. The consultant monitors the preparation, completion, recording and delivery of test reports and certificates, ensuring they are accurately recorded and closed out. The closing out of individual assets and overall projects cannot occur until all certifications have been issued under the contract and after the expiration of the defects liability period.

The Project Management Department ensures that a Handover Plan is prepared and updated accordingly for each infrastructure project. All contract specific requirements with regards to completion, handover, inspection and certification must be reviewed by the Project Management Department and Development Department. The Project Management Department is responsible for approving all takeover certificates or other completion certificates before issuance. The Development and Customer Care Departments drive all handover procedures and works outside of customer contracts and the approval of both contractual and non-contractual works must be provided by the Project Management Department.

Post-contract works (such as end user fit out) are managed by the Project Management Department. A final list is agreed upon jointly by the inspection of Customer Care and Development Departments and the Project Management Department. The Development Department prepares a schedule of rules for the Customer Care Department to follow on site visits. This ensures that site visits are conducted at an agreed time to ensure safety. The Customer Care Department coordinates with the Development and Project Management Departments to ensure capturing of snags highlighted during the "**Tenant/Purchaser Viewing**". Upon receipt of the snags and comments, the Development Department assesses and issues change orders to the Project Management Department if applicable. The key internal stakeholders are informed of the progress of the project close out through regular progress update reports and meetings as required. The Project Management Department liaises with relevant internal stakeholders including Facilities Management, Legal, Sales and Marketing and Finance Departments in order to ensure compliance with the Company's handover requirements.

Typically, handover of units to customers commences ahead of completion of construction of the entire project such that customers move into specific zones within the project whilst construction is ongoing in other zones.

There may be a need for the Company to hire a facility management company, such as Tadbeir, to provide facility management services in certain projects such as residential compounds and office buildings.

4.8.3 Third Party Design Consultant and Contractors

4.8.3.1 Mimar Emirates Engineering Consultant and Arac Engineering Consultancy

In 2019G Arac and Partner Engineering Consultancy was formed by Arac Engineering Consultancy Office of Abdullah Al-Braikan and engineer, Hesham AlShawan. The current share capital of Arac and Partner Engineering Consultancy is owned 99% by Arac Engineering Consultancy Office of Abdullah Al-Braikan, the Company's CEO and 1% by engineer, Hesham AlShawan, manager of Nesaj Urban Development Company.

The share capital ownership structure of Arac and Partner Engineering Consultancy ("**A&P**") is undergoing a restructuring. Following the restructuring of its share capital ownership, Arac and Partner Engineering Consultancy will be owned 25% by the Company, 50% by Mimar Engineering Group and 25% by Arac Engineering Consultancy Office.

Mimar Emirates Engineering Consultant and Arac Engineering Consultancy is an engineering consultancy joint venture company which specializes in the execution of high quality projects within the construction industry by combining design, procurement and contracting expertise alongside project management services. The Company works alongside engineers from Mimar Emirates Engineering Consultant and Arac Engineering Consultancy to apply its green architecture and sustainability principles to projects.

The scope of services provided by Mimar Emirates Engineering Consultant and Arac Engineering Consultancy' work includes:

- urban development and master planning;
- architecture and structure design;
- MEP;
- landscaping;
- project management and site supervision; and
- interior design.

Arac and Partner Engineering Consultancy and the Company executed approximately SAR 4 million worth of contracts in the year of 31 December 2020G.

4.8.4 Intragroup Suppliers/Services

The Company's Subsidiaries perform certain designated services for the Company in connection with the development of both Company and third party projects. These are each described in more detail below.

4.8.4.1 Tadbeir Limited Company

Tadbeir Limited Company is a specialized facility and property management company. Tadbeir Limited Company was founded in 2014G under the Company's umbrella to respond to the increasing need for companies specialized in real estate and facilities management services due to the fast growing real estate market in the Kingdom. The Company acquired Tadbeir Limited Company in 2017G.

Tadbeir Limited Company provides comprehensive solutions for the management of a project's facilities. Tadbeir Limited Company's scope of work includes janitorial services, consultancy services, safety and security, hospitality services, garden maintenance, facilities management and general operations and maintenance. For the financial year ended 31 December 2020G, Tadbeir Limited Company made SAR 31 million in revenues, approximately 7.5% and 92.7% of which were derived from Company and third party projects, respectively. As for the financial year ended 30 September 2021G, it made SAR 21.9 million in revenues, approximately 0% and 100% of which were derived from Company and third party projects, respectively.

4.8.4.2 Nesaj Urban Development Company

Nesaj Urban Development Company is a project management service provider for all projects founded by the Company in 2012G. Nesaj Urban Development Company provides project management services for all types of projects including residential, commercial and educational projects and provides a diverse range of services depending on the stage of any particular project. The Company acquired Nesaj in 2017G.

The scope of services provided by Nesaj Urban Development Company includes:

- determining the scope of work, budget and timetables for projects;
- identifying project performance indicators and tracking their progress;
- identifying key milestones according to the project plan;
- cost management services; and
- utilizing resources required for project completion.

Nesaj Urban Development Company made SAR 17 million in revenues in the year ended 31 December 2020G and SAR 15.6 million in the period ended 30 September 2021G. For the financial year ended 31 December 2020G, approximately 64.8% and 35.2% of the revenues of Nesaj Urban Development Company were derived from Company and third party projects, respectively. As for the financial year ended 30 September 2021G, approximately 93.9% and 6.1% of the revenues of Nesaj Urban Development Company were derived from Company and third party projects, respectively.

4.8.4.3 Building Construction Company

Building Construction Company has been one of the leading companies in the Kingdom in the field of contracting since 1996G. Building and Contracting Company was awarded the classification of second class for buildings and construction work by the MoMRAH demonstrating the Company's alignment with certain standards. Building Construction Company is committed to quality performance, utilizing the latest building methods and a creative approach to ensure the soundness of its capabilities and enabling it to efficiently implement large scale projects. Building Construction Company's portfolio of projects are diverse and include projects in the fields of healthcare, agriculture, commercial facilities, educational institutions and sports centers in addition to basic infrastructure, water facilities and sanitary sewage projects.

The scope of services provided by Building Construction Company includes the provision of construction, electromechanical and maintenance services.

Building Construction Company is one of the Company's major suppliers of 2020G (identified based on gross purchases in 2020G) and accounted for SAR 288.2 million of revenue in the year ended 31 December 2020G and SAR 355.7 million for the period ended 30 September 2021G. Approximately 97.4% and 2.6%, and 99.4% and 0.6% of the revenues of Building Construction Company were derived from Company and third party projects, for financial year ended 31 December 2020G and the period ended 30 September 2021G respectively.

4.8.5 Customers and Terms of Sales

Upon signing the sales contract relating to a residential unit, the customer pays a down payment of 20% of the purchase price which is deposited into an escrow account maintained by the Company. The customer contractually agrees to pay the balance of the purchase price in instalments into the Company's escrow account on a pre-agreed payment schedule, whereby subsequent instalments are paid upon achievement of certain construction milestones. For example, a second instalment of 20% of the purchase price may be payable upon construction reaching 40% completion.

The agreed payment schedule and corresponding construction milestones are set by the Company's Off-Plan Sales License. Under the terms of the license, the Company must submit monthly progress reports to WAFI which is prepared by a Supervisor Consultant and signed by an external public accountant auditor. Following receipt of the progress reports, the Company is permitted to invoice the customer for the payment instalment which corresponds to that construction milestone. The MoMRAH also confirms to the bank at which the escrow account is held that the Company may draw down the payment to fund construction once it is received.

The Company's payment terms for each instalment are 21 working days from the date of the relevant invoice. The majority of customers fund the 20% deposit from their own resources but obtain loans from banks to fund the remaining instalment payments. Where customers use a bank loan, invoices are sent directly to the customer's nominated bank and payment is generally made within 25 to 35 days of the date of the invoice. Certain projects are also incentivized by the MoMRAH and beneficiaries opting to purchase residential units within such developments are offered interest free loans of up to SAR 500,000. There is also an assistance program run by the Real Estate Development Fund which provides beneficiaries, over 45 years of age who earn a salary less than SAR 14,000 per month, with interest free financial support on down payments of 10% to 20% (up to a maximum of SAR 140,000) of the value of the residential unit, depending on family income and family size. In addition, there is an initiative which supports applicants in remote areas and retirees by providing them with a real estate funding guarantee to enable them to access funds to buy their home.

Customers are required to make the final instalment payment of 5% of the purchase price upon transfer of the title deeds of the unit.

If a customer defaults on such progressive or final payments, as applicable, local laws and regulations will determine the procedures and remedies available to the Company. Regulations relating to the Off-plan Sales stipulate that the Company uses a particular customer contract template and key terms set out in this form of agreement are as follows:

- Payment - the sale price is to be paid in instalments at the specified dates and in the amounts specified in the sales contract. The Developer must notify the purchaser of upcoming instalment dates.
- Warranties
  - the defects liability period relating to the foundation and concrete works are at least 10 years from the date of handing over the residential unit; and
  - the warranty period relating to the mechanical, electrical and other contractors' works is 1 year from the date of handing over the residential unit
- Deferment of Handover - subject to the approval of the WAFI off-plan sales committee, the Developer may defer the handing over of the residential unit to the purchaser for a period not exceeding 180 days. During any period of deferment, the purchaser must continue paying the instalment amounts upon the agreed dates. If the WAFI off-plan sales committee rejects the Developer's deferral request, the Developer must pay a penalty to the purchaser in the amount stated in the Sale Contract starting from the agreed handover date.
- Termination -
  - Under WAFI contracts, if the Developer does not handover the residential unit to the purchaser on the agreed handover date or is in breach of any of its obligations under the Sale Contract, the purchaser will have the right to:
    - terminate the Sale Contract after the approval from the WAFI off-plan sales committee, and receive a refund all the instalments paid to the Developer in addition to the penalty amount payable by the developer; or
    - wait for handover of the residential unit and receive the penalty payment from the Developer which is due as a result of the delay.

- If the purchaser breaches any of its obligations under the Sale Contract, upon giving the purchaser 21 day notice of the breach, the Developer has the right to:
    - terminate the Sale Contract after the approval from the WAFI off-plan sell committee, and refund any instalments received from the purchaser after deducting 5% of the overall Sale Price; and
    - sell the residential unit to a third party. If the price received from the new purchaser is higher than the price specified in the Sale Contract with the defaulting purchaser then the Developer is entitled to retain this. However, if the price is lower, the Developer may not seek to recover the difference from the defaulting purchaser.
- Tax - the purchaser shall pay any taxes associated with the payment of the purchase price (unless exempted).

The average collection period was 87 days, and the customer turnover rate was 4.2 as of 30 September 2021G.

4.8.6 Overview of Portfolio of Projects

4.8.6.1 Completed Projects

4.8.6.1.1 Ewan Al Qayrawan

Ewan Al Qayrawan is a residential villa complex that contains 164 housing units built on an area of 65,000 square meters distributed over five different design categories with built-up areas ranging from 386 to 552 square meters. The project is located in a strategic fully serviced and developed location close to King Abdulaziz Road, which connects the region with the center of the three main cities in the Eastern Province (Khobar, Dammam and Dhahran) and the main cities of the Kingdom.

Ewan Al Qayrawan villas were built in line with the highest international standards in order to meet the diverse needs of the eastern region of the Kingdom. Ewan Al Qayrawan facilities include a garden, car parking and chauffeur rooms. The construction of the project was completed and delivered in 2016G.

4.8.6.1.2 Retal Square

Retal Square is a multi-storey residential complex project forming a high-end family community in which all complex operations and maintenance services are managed by a specialized company that meets the aspirations and needs of inhabitants around the clock to ensure security, safety and quality of maintenance for all facilities, The project consists of 96 housing units distributed over six buildings consisting of five modern design floors, with distinctive features in each apartment and building, characterized by great attention to detail and care. The units are distributed in three models of various designs and spaces. The ground floor consists of parking lots, a gym, chauffeur room, guards, security systems, a swimming pool, a garden and a children's playground. The project is located in the heart of Al-Khobar City with a stunning view 2.5 km from the Al-Khobar waterfront, it consists of six adjacent buildings, six floors high, and has a built-up area of about 17,500 square meters. Its construction was completed in 2015G.

4.8.6.1.3 Al Dawahi

Al Dawahi project is located near Aramco, in the Samhaniya Oasis neighborhood in the Eastern Province. It is characterized by unique urban planning resembling a small village where neighbors converge to each other without compromising privacy. The project includes 133 housing units designed according to Arab, Andalusian and modern geometric patterns. It includes three categories, with built-up areas ranging between 250 and 614 square meters. Al Dawahi complex was completed in 2016G.

4.8.6.1.4 Sakanat Al Nada

The Sakanat Al Nada project is located in Al Nada neighborhood, near Jubail Road and in close proximity to Saudi Aramco. Sakanat Al Nada is a project which comprises 28 villas, over a surface area of 14,000 square meters, with built-up areas ranging between 371 and 386 square meters. The project is characterized by a high-end design derived from Arab heritage. The project started in 2013G and was completed in 2014G.

4.8.6.1.5 Sakanat Al Safa

The Sakanat Al Safa project is located in Al Safa neighborhood near Imam Abdulrahman Bin Faisal University between Dammam, Dhahran and Al-Khobar. The project consists of 56 housing units distributed in 3 categories and includes 8 small villas in addition to 48 duplex apartments over an estimated surface area of 16,000 square meters with built-up areas ranging from 227 to 336 square meters with a design derived from Arab heritage that highlights the housing units and imbues them with harmonious beauty that evokes calm, tranquility and exclusivity.

The project started in 2014G and was completely finished in 2015G.

4.8.6.1.6 Ewan Al Nawras

Ewan Al Nawras is a luxuriously finished residential project characterized by a distinctive location in the coastal city of Al-Khobar. It is distinguished by its proximity to public and vital services, close to main shopping centers and the King Fahd Causeway that connects the Kingdom of Saudi Arabia to the Kingdom of Bahrain.

The project comprises 78 deluxe residential villas consisting of four distinct design categories, with built-up areas ranging from 425 to 529 square meters, the diversity of its design provides the utmost in luxury and modern living. For each housing unit, the project also provides chauffeur rooms, swimming pools, gardens, and parking. Ewan Al Nawras was completed in 2015G over an area of 37,000 square meters.

4.8.6.1.7 Block 144

Block 144 is a residential development consisting of 15 units of three distinct types located in Dammam. Construction of Block 144 completed in 2016G. Block 144 comprises a total project area of 11,700 square meters.

4.8.6.1.8 Arab Open University

The Arab Open University project is located in Dammam over a surface area of 6,500 square meters and consisting of seven floors divided into two separate sections. The building also includes all required educational facilities supported by the best technologies. Construction of Arab Open University was completed in 2017G.

4.8.6.1.9 The Grand

The Grand is a closed compound, integrated residential complex which comprises 126 residential units of eight distinct categories, characterized by a beautiful towering facade, surrounded by services and vital centers in various directions, with built-up areas ranging between 95 and 315 square meters.

The project is distinguished by its important strategic location in the city of Dammam, overlooking the highway, halfway between the airport and the Corniche, which facilitates life in and access to the project. The Grand was completed in 2017G. The project is distinguished by its modern design and modern exterior facades.

Unit designs and sizes vary, and all of them are equipped with a central air-conditioning system, with distinct recreational and service facilities. Within each tower, there is a hall, a health club, a swimming pool, and private parking for each apartment. The project is managed by a facility management company, ensuring a comfortable and safe atmosphere.

4.8.6.1.10 The Valley

The Valley was the first modern commercial project undertaken by the Company. The Valley comprises a project area of 7,430 square meters including a leasable area of 6,030 square meters and is designed to be a major destination for entertainment and shopping. It includes gyms, brand retail shops and a range of international cafés and restaurants with terrace seating. The valley hosts a plethora of renowned brands and amenities available within the complex include a pray place, parking, security, an ATM and outdoor seating. Construction of the Valley was completed in 2017G.

4.8.6.1.11 Retal Residence

Retal Residence is a mixed-use project that combines the residential component and hospitality, as it includes a modern residential complex for rent completed by the company in 2018G with a built-up area of more than 72,000 square meters. The project is located in Al-Sadafa neighborhood near the city of Al-Khobar, steps away from the Arabian Gulf near Dhahran Exhibition Road, and provides its residents with easy access to international schools, hospitals and shopping centers.

The complex includes 416 modern and luxurious fully furnished residences with appliances, and includes standalone villas, houses and apartments surrounded by landscaped gardens, walking paths, and the latest means of health, entertainment and comfort. Also, periodic maintenance is carried out with great care to ensure the comfort, security and interest of the residents.

Retal Residence includes many facilities that make living there an integrated experience, including: high-end restaurants, swimming pools, outdoor and covered playgrounds, in addition to an indoor cinema and hotel rooms to receive guests.

4.8.6.1.12 Ewan Al Maali

Ewan Al Maali is a residential development strategically situated in Al-Khobar City. Construction of Ewan Al Maali was completed in 2018G. The development comprises 76 residential units of three distinct categories ranging from 578 to 795 square meters.

Amenities available within the Ewan Al Maali residential development include parking, gym, chauffeur rooms, security, swimming pools, gardens and a children's playground.

4.8.6.1.13 Ewan Al Nahda

Ewan Al Nahda project is residential project located in Al Qayrawan neighborhood in Dammam, at the center of major cities such as Al-Khobar, Dammam and Dhahran. The location of the project is easy to reach from all cities and offers easy access to the surrounding public and recreational services. It consists of 37 housing units. The project is designed to provide customers with the freedom to choose between several designs of various layouts and spaces. The project facilities include a garden, car parking and chauffeur rooms. The built-up area is 17,520 square meters and its construction was completed in 2019G.

4.8.6.1.14 Nesaj Town 1

Nesaj Town 1 is a residential project located in Dammam, developed in partnership with the MoMRAH. The project consists of 674 housing units spread over an area of 202,000 square meters overlooking the spacious streets and with integrated services aimed at ensuring the comfort of owners, providing them with various services such as mosques, schools, commercial and social complexes, in addition to vibrant parks and gardens. The housing units are divided into 4 different categories with different surface areas and modern designs that meet the aspirations of customers. The project was completed in 2020G.

4.8.6.1.15 Retal Business Center

Retal Business Center is a mixed-use project that includes commercial and office units, located in Al Rawabi district of Al-Khobar. Its construction was completed in 2020G.

The project consists of seven floors spread over a total surface area of 5392 square meters. It includes many facilities and amenities such as private parking, meeting rooms, prayer hall and cafeteria. Retal Group has taken this Center as its head office to manage the Group's operations, with part of the building leased to commercial tenants.

4.8.6.2 Ongoing Projects

4.8.6.2.1 Ayala Al-Nakheel

Ayala Al-Nakheel is a residential project that is unique in its location and components, embracing the finest modern and exclusive villas for those looking for excellence, luxury, spacious spaces, and personal designs that represent their own style, through digital pre-customization, which allows customers to choose and add the details to their liking and make modifications to designs and spaces prior to purchase.

The project is located in the city of Al-Khobar, with a total surface area of about 57,000 square meters. It enjoys a unique location amid luxuriant surroundings and adjacent residential neighborhoods. The project is expected to be completed by 2022G.

As of 30 September 2021G, a revenue of SAR 11.4 million was recognized from the sale of Ayala Al-Nakheel units, and the project completion rate was about 6%.

4.8.6.2.2 Nesaj Town Al-Khobar

Nesaj Town Al-Khobar is a residential project located in the city of Al-Khobar. The Company began development in 2020G in cooperation with the MoMRAH, with works expected to be completed by 2022G.

Total project surface area is 56,687 square meters. The construction plan includes 170 residential units, with an average total surface area of 330 square meters per unit.

During July 2021G, all project units were booked within one hour from offering. As on 30 September 2021G, sale revenues of SAR 26.9 were recognized, and the project completion rate was about 20.6%.

4.8.6.2.3 Coya

Coya is a residential project located in Dammam. The Company is expected to start construction in 2022G, and is expected to complete it by 2024G. The residential project's total surface area is 8,718 square meters, with the construction plan consisting of 104 residential units.

As of 30 June 2021G, no Coya units were sold.

4.8.6.2.4 Nesaj Town 2

Nesaj Town 2 is a residential project in Dammam, developed in partnership with the MoMRAH, and includes high-end residential units at an affordable cost that suits the aspirations of a wide segment of citizens. The residential project area is 505,982 square meters, including 1,653 residential units.

It was designed with specifications and a unique architectural style that draws inspiration from its modern designs, in addition to the integration of services that ensure desired comfort and luxury with amenities such as mosques, schools, and commercial and social complexes, making it one of the most attractive development projects in the Eastern Province. In addition to being an integrated family community that provides all the distinguished facilities through which the Company has been keen to create a lifestyle and villa spaces that suit the needs of all families. The project is expected to be completed by 2022G.

As of 30 September 2021G, the project completion rate was about 75%, with recognized accumulated revenues of SAR 771.7 million.

4.8.6.2.5 Nesaj Town Riyadh 1

Nesaj Town Riyadh 1 is a residential project of 233,968 square meters located in the city of Riyadh as an extension of the series of successes of Nesaj Town 1 and 2 Dammam projects. The construction plan consists of 690 residential units, with an average total area of 339 square meters per unit. The facilities of Nesaj Town 2 in Riyadh include commercial, recreational and educational facilities. The Company began construction in 2021G and expects to complete construction by 2022G.

The project was presented to customers for reservations in October 2020G, and within 96 hours, all project units were booked. As of 30 September 2021G, Nesaj Town Riyadh 1 recognized sale revenues amounted to SAR 58.4 million and the project completion rate was about 12%.

4.8.6.2.6 Marasi Al-Khobar

Marasi Al-Khobar is a residential project in the Hayat neighborhood, which is strategically located between the cities of Dammam and Al-Khobar. The Company is expected to commence development in 2022G, and is expected to complete the project by 2023G. The project encompasses about 609,000 square meters. The construction plan consists of 200 residential units.

Retal's plays the role of major developer in the Marasi Al-Khobar project, which is the first of its kind in the region in terms of the possibility of purchasing plots of land using the off-plan sales model. Purchase reservations will commence upon the launch of the project with payment grace periods of up to 24 months, which allows purchasing at competitive prices, and the ability to view units characterized by views of the greenery, footpaths or the outdoor.

It should be noted that that Marasi Al-Khobar is part of the investment and strategic 7.5 billion Saudi Riyal partnership between Retal Urban Development Company and Alfa Financial Company to develop future projects until 2030G, most of which residential real estate projects.

As on 30 September 2021G, no revenue was recognized from the sale of Marasi Al-Khobar units.

4.8.6.2.7 Tharwa Town

Tharwa Town is a residential project located in the Tharwa Town Plan of Dammam. The plan was initiated and the infrastructure provided therefor by the Saudi Tharwa Company - an investment of Retal Urban Development Company - and accordingly, the Saudi Tharwa Company won the best mixed-use Arabian Property Award for 2021G.

The company is expected to start developing the project during 2022G, and is expected to be completed by 2024G. The total project area is about 150,000 square meters. The construction plan consists of 401 residential units.

As on 30 September 2021G, no revenue was recognized from the sale of Tharwa Town units.

4.8.6.3 Upcoming Projects

4.8.6.3.1 Retal Business Center - Riyadh

Retal Business Center is a commercial office space project in Riyadh. The Company will begin developing the project during H2 2022G and it is expected to be completed by 2023G. The project encompasses a total surface area of 40,000 square meters, comprising 69 office units.

As of 30 September 2021G, none of the offices of Retal Business Center were rented.

4.8.6.3.2 Retal Rise

Retal Rise is a mixed-use project in the city of Al-Khobar and is expected to include a luxury residential tower with direct views of the Arabian Gulf, comprising about 286 units, in addition to a hotel with a capacity of 150 rooms, hotel apartments and a specialized restaurant, expected to be managed by Nobu Hotel and Restaurant Management Company.

The project encompasses a surface area of more than 13,000 square meters. The Company began developing the project in 2021G, and it is expected to be completed by 2024G. As of 30 September 2021, project units were not yet offered for sale.

4.8.6.3.3 Retal Blue

Retal Blue is a tourist lodging and residential hotel development in Al-Khobar, comprising hotel rooms, apartments and chalets for sale, as well as hotel and entertainment services, landscapes, gym, yacht marina…etc. The Company will begin developing the project in 2022G, and it is expected to be completed by 2025G. The project encompasses a surface area of 500,000 square meters.

As of 30 September 2021G, none of the room and apartment units were sold or rented.

4.8.6.3.4 Ayala Al-Malqa

Ayala Al-Malqa is a residential development, situated in Riyadh, which the Company began constructing in 2021G and is expected to be fully completed by 2024G. The residential project has a total development area of 41,540 square meters, and the development plan comprises of 71 residential units.

As of 30 September 2021G, no Ayala Al-Malqa units were sold.

4.8.6.3.5 Nesaj Town Al-Ahsa

Nesaj Town Al-Ahsa is a residential project in Al-Ahsa. The Company is expected to begin developing the project in 2022G and it is expected to be completed by 2024G. The project encompasses a surface area of 350,000 square meters, and comprises 969 residential units.

As of 30 September 2021G, none of Nesaj Town Al-Ahsa units were sold.

4.8.6.3.6 Ewan Sidra

Ewan Sidra is the first residential project to be developed with ROSHN (a PIF company). The Company was awarded as the first developer to cooperate with ROSHN in developing the first phase of the project in Riyadh. It will begin developing the project during Q1 2022G, and it is expected to be completed by 2024G. The project encompasses a surface area of 33,475 square meters, and it comprises 103 residential units.

As of 30 September 2021G, none of Ewan Sidra units were sold.

4.8.6.3.7 Nesaj Town - AlNarjes

Nesaj Town - AlNarjes is a residential project in Riyadh to be developed in partnership with the NHC as a sub-developer of the project. The Company is expected to begin developing the project in Q2 2022G, and it is expected to be completed by the end of 2024G. The project encompasses a surface area of 147,875 square meters, and it comprises 455 residential units.

As of 30 September 2021G, none of Nesaj Town - AlNarjes units were sold.

4.8.6.3.8 The Place

The Place is a commercial project located in Al-Ahsa. The Company will begin its development in 2022G and it is expected to be completed by 2023G. The project encompasses a surface area of 41,540 square meters.

As of 30 September 2021G, none of The Place units were rented.

4.8.6.3.9 Nesaj Town – Safwa

Nesaj Town Safwa is a residential project located in Al-Qatif, to be developed in partnership with the NHC. The Company is expected to begin developing the project in H2 2022G, and the project is expected to be completed by the end of 2025G. The project encompasses a surface area of 136,234 square meters, and comprises 371 residential units.

4.9 Future Plans and Growth Opportunities

4.9.1 Land for future Development

As on 30 September 2021G, the total surface area of land owned by the Company was about 795,000 square meters, distributed as follows: lands under development with a surface area of 116,600 meters (equivalent to about 14.7%), and lands for development in future projects with a surface area of 608.8 thousand meters (equivalent to about 76.6%), and lands available for sale with a surface area of 59.6 thousand square meters (equivalent to about 7.5%), in addition to lands used in income-generating investment properties with a surface area of 10.2 thousand square meters (equivalent to about 1.3%).

4.10 Certifications and Awards

The Company has received a multitude of awards since its establishment, with the most prestigious awards including the following:

- Retal Urban Development Company received the Residential Projects Excellence Award 2022G for the Nesaj Town Riyadh project, in the Residential Forum that was held in Riyadh;
- Nesaj Company, which specializes in project management, a subsidiary of Retal Urban Development Company, was awarded the Project Management Excellence Award 2021G, presented by the Project Management Institute branch in Saudi Arabia for the Nesaj Town project.
- Retal Urban Development Company was recognized by MoMRAH as the best real estate developer for two consecutive years, in 2019G and 2020G;
- Building Construction Company, a subsidiary of Retal, was ranked 5th in MISA's list 100 Saudi Fast Growth for 2019G;
- Tadbeir Limited Company, a subsidiary of Retal, obtained an accreditation certificate from the British Institute of Cleaning Sciences in 2018G.
- Tadbeir Limited Company, a subsidiary of Retal, obtained the ISO 9001:2015 for the property and facility management system from TUV Nord in 2018G;
- the Company obtained the Mullak Union Membership in 2019G; and
- Nesaj Urban Development Company, a subsidiary of Retal, obtained the ISO 9001:2015 project management certification from Intercert in 2019G.

4.10.1 Employees

As on 30 September 2021G, the Group had 1,073 employees, including 242 Saudi nationals, and 831 non-Saudi employees. The tables below show the distribution of employees by sector and Saudization ratio.

The Company concluded employment contracts with all members of the Company's Senior Management, whereby their salaries and bonuses are set out according to their qualifications and experience. These contracts include a number of benefits such as granting a monthly allowance for transportation and/or housing allowance. These contracts are subject to renewal and are subject to the Saudi Labor Law. For more details, please refer to Section 5.3.2 ("**Employment Contracts with Senior Executives**").

Below is a table indicating the number of employees of the Company and its subsidiaries, by sector, as on 31 December 2018G, 2019G, 2020G and the Period Ended 30 September 2021G.

Table (4-25): Number of employees of the Company and its subsidiaries, by sector, as on 31 December 2018G, 2019G, 2020G and the Period Ended 30 September 2021G

Company	Department	2018G			2019G			2020G			Period ended 30 September 2021G		
		Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi
Retal Urban Development Company	Business Development	4	1	3	3	1	2	5	3	2	5	3	2
	Development Management	2	0	2	2	0	2	11	9	2	22	16	6
	Financial Management	5	1	4	5	1	4	10	5	5	15	8	7
	Human Resources	3	1	2	3	1	2	9	4	5	13	7	6
	Digital Transformation	6	1	5	4	1	3	8	4	4	8	4	4
	Operations Management	1	0	1	2	0	2	4	2	2	4	2	2
	Riyadh office Management	0	0	0	0	0	0	2	2	0	2	2	0
	Real Estate Management	1	1	0	1	1	0	1	1	0	1	1	0
	CRM	0	0	0	0	0	0	6	6	0	8	8	0
	Sales and Marketing Management	4	0	4	5	0	5	8	2	6	17	8	9
	Supply Chain Management	0	0	0	0	0	0	1	1	0	1	1	0
	Compliance Management	0	0	0	0	0	0	0	0	0	1	0	1
	Trade Management	0	0	0	0	0	0	0	0	0	0	0	0
	Strategic Planning Department	0	0	0	0	0	0	0	0	0	0	0	0
	Total Company Employees	**26**	**5**	**21**	**25**	**5**	**20**	**65**	**39**	**26**	**97**	**60**	**37**
Nesaj Urban Development Company	Financial Management	2	1	1	2	1	1	3	1	2	3	1	2
	Human Resources	3	3	0	1	1	0	1	1	0	3	3	0
	Marketing Management	2	2	0	2	2	0	2	2	0	2	2	0
	CRM	2	1	1	5	4	1	4	3	1	5	3	2
	Project Management	14	2	12	11	1	10	33	8	25	58	15	43
	Sales Administration	3	2	1	1	0	1	1	1	0	1	1	0
	Total Nesaj Urban Development Company Employees	**26**	**11**	**15**	**22**	**9**	**13**	**44**	**16**	**28**	**72**	**25**	**47**

	Department	2018G			2019G			2020G			Period ended 30 Sep-tember 2021G		
		Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi
Building Construction Company Limited	Electromechanical Management	43	1	42	82	1	81	119	6	113	119	6	113
	Business Development	2	2	0	2	2	0	2	2	0	2	2	0
	Call Center Management	7	7	0	27	27	0	17	17	0	13	13	0
	Electricity Management	4	0	4	4	0	4	0	0	0	0	0	0
	Financial Management	7	3	4	7	3	3	8	5	3	8	5	3
	Finishing Management	6	2	4	13	1	12	0	0	0	0	0	0
	Government Relations	9	9	0	4	4	0	4	4	0	4	4	0
	Administrative Affairs	1	0	1	1	0	1	0	0	0	0	0	0
	Human Resources	2	1	1	2	1	1	3	1	2	3	1	2
	Digital Transformation Management	4	3	1	4	3	1	5	2	3	5	2	3
	Logistics Management	5	0	5	3	0	3	2	0	2	2	0	2
	Workshop	2	1	1	1	0	1	0	0	0	0	0	0
	Public Administration	2	1	1	3	1	2	3	1	2	3	1	2
	Mechanical	5	0	5	1	0	1	0	0	0	0	0	0
	Purchase Management	1	1	0	0	0	0	0	0	0	0	0	0
	Project Management	136	7	129	233	9	224	277	18	259	271	11	260
	Sales Administration	2	2	0	2	2	0	2	2	0	2	2	0
	Joint Operations	7	5	2	8	6	2	13	9	4	13	9	4
	Construction	14	0	14	3	0	3	0	0	0	0	0	0
	Supply Chain Management	32	1	31	50	2	48	59	4	55	59	4	55
	Survey	1	0	1	0	0	0	0	0	0	0	0	0
	Technical Support	2	0	2	1	0	1	0	0	0	0	0	0
	Warehouse Department	7	0	7	6	0	6	2	0	2	2	0	2
	Total Building Construction Company Limited Employees	**301**	**46**	**255**	**456**	**62**	**394**	**516**	**71**	**445**	**511**	**70**	**441**

	Department	2018G			2019G			2020G			Period ended 30 September 2021G		
		Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi
Tadbeir Limited Company	Business Development	0	0	0	1	0	1	3	2	1	3	2	1
	Riyadh Development	0	0	0	1	1	0	1	1	0	1	1	0
	CRM	3	1	2	3	2	1	4	2	2	4	2	2
	Contact Management	0	0	0	1	1	0	0	0	0	0	0	0
	Development Management	0	0	0	1	1	0	1	1	0	1	1	0
	Facilities Management	130	5	125	263	13	250	338	7	331	313	24	289
	Financial Management	3	2	1	5	3	2	3	1	2	4	1	3
	General Manager's Office	1	0	1	1	0	1	1	0	1	1	0	1
	Head office	0	0	0	2	2	0	0	0	0	0	0	0
	Human Resources	5	5	0	7	7	0	9	9	0	9	9	0
	Digital Transformation Management	1	1	0	1	1	0	1	1	0	1	1	0
	Real Estate Management	4	2	2	3	2	1	4	2	2	4	2	2
	Public Administration	1	1	0	2	2	0	2	2	0	2	2	0
	Marketing Management	3	2	1	6	4	2	4	2	2	4	2	2
	Purchase Management	2	1	1	2	1	1	4	2	2	4	2	2
	Quality Control	1	0	1	2	1	1	4	2	2	4	2	2
	Quality, Safety and Health Management	1	1	0	2	1	1	2	1	1	2	1	1
	Property Management	1	1	0	2	1	1	2	1	1	2	1	1
	Sales Administration	0	0	0	1	1	0	1	1	0	1	1	0
	Supply Chain Management	1	1	0	3	3	0	3	3	0	3	3	0
	CRM	4	4	0	19	19	0	38	38	0	26	26	0
	Leasing Management	0	0	0	0	0	0	0	0	0	6	2	4
	Total Tadbeir Limited Company Employees	**161**	**27**	**134**	**328**	**66**	**262**	**425**	**78**	**347**	**389**	**83**	**306**
Tadbeir Real Estate Company Limited	Rental Department	0	0	0	0	0	0	0	0	0	4	4	0
	Total Tadbeir Real Estate Company Limited	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**	**4**	**0**
	Total Group Employees	**514**	**89**	**425**	**831**	**142**	**689**	**1050**	**204**	**846**	**1073**	**242**	**831**

Source: the Company based on the certificates of the General Organization for Social Insurance in the following years: 2018G, 2019G, 2020G and the period ended 30 September 2021G.

Below is a table indicating the average Saudization ratio, Company and subsidiaries' Nitaqat category, as on 30 September 2021G.

Table (4-26): Average Saudization ratio, Company and Subsidiaries' Nitaqat Classification, as on 30 September 2021G

Company	Entity	Nitaqat	Saudization Ratio
Retal Urban Development Company	Collection and Real Estate Services	Platinum	70.47%
Nesaj Urban Development Company	Consulting services	High Green	34.55%
Building Construction Company Limited	Construction	Platinum	16.26%
Tadbeir Limited Company	Maintenance and Operation Contracting	Medium Green	24.42%
Tadbeir Real Estate Company	Business Services	Platinum	77.78%
Remal Al Khobar Real Estate Company*	-	-	-

Source: the Company

* As of the date of this Prospectus, Remal Al Khobar Real Estate Company does not have any employees.

4.11 Saudization

The Saudization Program "**Nitaqat**" was adopted by virtue of His Excellency the Minister of Labor's Decision No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G), pursuant to Council of Ministers' Resolution No. 50 dated 21/5/1415H (corresponding to 27/10/1994G). The "**Nitaqat**" program was implemented on 12/10/1432H (corresponding to 10/09/2011G), with the Ministry of Human Resources and Social Development beginning the implementation of the Nitaqat program to encourage institutions to employ Saudi citizens. Through the "**Nitaqat**" program, the performance of any Company is evaluated based on specific categories (classifications), namely the platinum category, the green category (subdivided, into low, middle and high) and the red category. Companies in the platinum or green categories are deemed to have met Saudization requirements and are therefore entitled to a number of benefits, such as: obtaining and renewing work visas or otherwise changing the occupations of its non-Saudi workers (except for professions exclusively reserved for Saudi nationals). Companies in the red category (due to their non-compliance with specific requirements), are deemed to have violated Saudization requirements and may be subject to certain punitive measures, such as limiting their ability to renew non-Saudi employees' work visas or completely prohibiting non-Saudi employees from obtaining or renewing work visas.

For more information about the Company and its subsidiaries' classification under the "**Nitaqat**" Program, please refer to Table 4-26 ("**Average Saudization ratio, Company and Subsidiaries' Nitaqat Classification, as on 30 September 2021G**").

4.12 Business Activities or Assets outside Saudi Arabia

As of the date of this Prospectus, the Company and its subsidiaries have no commercial activities or assets outside Saudi Arabia.

4.13 Research and Development

Due to the nature of the Company's business, the Company and its Subsidiaries do not have a policy regarding research and development. Regardless of that the Company is continuously up to date on the latest trends within the real estate and real estate development sector. In addition, the Company has always been keen to survey the clients on their perspectives and opinions and has hosted a multitude of workshops for their employees with industry experts and consultants. The workshops involve discussions on the Company's current status and its future prospects, as well as ways to improve the Company and transform creative knowledge into practical and applied solutions.

The Company continuously seeks and drives to be effectively present in all aspects relating to real estate development and to strengthen the network of its relationships in the local and international market. Most importantly, the Company schedules regular meetings with various technical, financial and legal entities in order to improve and upscale the services provided by the Company, its marketing methods, and the Company's management style and its corporate governance.

4.14 Management and Support Services

The Company operates its business through many different departments and tasks, which are managed centrally from its main center as follows:

4.14.1 Development Department

The Company's development team selects, designs and develops all projects, led by the Chief Development Officer. This Department is responsible for site selection, leasing, design and operation of any new project, as well as for the management of expansion projects, contract management, and portfolio management.

4.14.2 Business Development Department

The responsibilities of the Business Development Department include the following:

- Identifying and evaluating business opportunities and new projects in line with the strategic plans of the Group and the geographical areas to be targeted.
- Evaluating business and project opportunities in line with priorities and strategic plans.
- Determining the ownership structure of new projects.
- Developing plans for new businesses and projects to evaluating operational performance against established objectives.

4.14.3 Property Management Department

Managing all Company properties (real estate assets intended for leasing and investment) and supervising leasing and collection operations.

4.14.4 Supply Chain Management Department

The main responsibilities of the Supply Chain Management Department include providing bidding services, implementing strategic partnerships, providing support to all departments in purchasing materials, supplies, fixtures, and services on highly competitive terms, preparing and updating the list of suitable suppliers, in coordination with the concerned unit and periodically evaluating suppliers. This team also manages suppliers effectively, and monitors all cases that may be interpreted as inappropriate or anti-competitive.

4.14.5 Sales and Marketing Department

The responsibilities of the Company's sales and marketing team include developing the marketing and sales strategy, managing the Company's brand and customer experience. In addition, the team handles all official correspondences with the media on behalf of the Company and stores, and manages advertising and marketing campaigns, paying attention to consumer desires and behavior by region, in order to ensure availability of preferred selections. The team also aims to strengthen and enhance the brand image and reputation of the Company and its stores by communicating with all relevant stakeholders, including suppliers and customers, through various communication channels, including social media (such as Twitter and Instagram).

The Company's marketing team is responsible for maintaining and developing relationships with local, regional and international media. This includes all media channels, including unpaid ones, such as media interviews and PR campaigns. The marketing team also develops various strategic initiatives and communication plans that allow it to reach various stakeholder groups and achieve the Company's business goals. The communications team also manages the Company's LinkedIn social media accounts.

The Company aims to offer a unique shopping experience that is similar to the personal consumer experience gained from personally shopping in its stores.

4.14.6 Customer Service Department

Through a dedicated team, the Customer Service Department seeks to meet the needs of customers and deal with current and former customers to resolve complaints or respond to inquiries and keep them informed of the latest developments (for example: matters related to marketing events and promotions) in addition to analyzing customer data for the purposes of improving services. The customer service team is responsible for conducting customer surveys via phone and email to follow market trends, identify opportunities and shortcomings, collect customer suggestions and monitor satisfaction levels.

4.14.7 Operations Department

The Operations Department is responsible for overseeing the Company's operations in the Kingdom. It holds a very important position within the Company's hierarchy. For more information on the Operations Department, please refer to Section 4.8.2 ("**Business Model**").

4.14.8 Financial Department

The main responsibilities of the Finance Department include leading the budgeting process and ensuring that the Company's departments adhere thereto throughout the financial year. It also is responsible for managing the Company's financial structure assessment activities and defining financing structures, defining options and sources of capital, managing financial need assessment activities, structuring potential funding sources in coordination with the Development and Property Management Departments. The Department plays an important role in managing the relationship with banks and insurance companies, negotiating interest rates, financing terms and insurance policies, and managing all relationships with the Company's investors.

4.14.9 Human Resources Department

The main responsibilities of the Company's Human Resources Department include developing and implementing strategies that focus on the integrity of the Company in terms of human resource management and administration, establishing policies and procedures related to the effective management, development and use of the Company's human resources and management, as well as overseeing the adoption and evaluation of the Company's organizational structure and job functions. The Human Resources Department also supervises the preparation and review of the general framework for job grades, salary structure, wages, and allowances. The Department also instills a performance and empowerment culture that motivates the achievement of individual and business goals and ensures effective recruitment and development of employees.

4.14.10 Digital Transformation Department

The Information Technology Department deals with issues such as developing information technology systems and applications necessary to meet the needs of other departments, stores and projects, maintaining Company-wide communication networks and developing the Company's e-portals. The Department is also responsible for managing the overall operations of the Company's networks and systems to ensure the provision of high-quality support for the local network, hardware and software applications to address digital and Internet security challenges, such as cyber security threats, viruses and other attacks (ransomware), unwanted dissemination or loss of confidential data.

4.14.11 Compliance Department

The Company's Compliance Department is responsible for ensuring that the Company complies with its internal procedures, Saudi regulations, and other rules that apply to the facility.

4.14.12 Internal Audit Department

The Internal Audit Department aims to improve the effectiveness of the Company's risk management, control and governance processes. Internal auditing focuses on monitoring all operations, including financial and accounting operations, and ensuring the compliance thereof with various policies, procedures and laws.

4.14.13 Strategic Planning Department

The Company's Strategic Planning Department is responsible for forming and following up on the Company's general affairs strategies, following up on various performance measures and projects related to achieving strategies and objectives, including risk management, corporate governance, investor relations, and customer experience management.

4.14.14 Riyadh Office Management Department

The responsibilities of the Riyadh Office Management Department include following up on the Company's operations and projects under development in Riyadh, in addition to developing business by studying marketing opportunities available in the market and preparing the necessary feasibility studies for presentation to Management and fulfilling approval requirements.

4.15 Business Continuity

There has been no suspension or interruption in the Company's and its Subsidiaries' core business, during the twelve-month period preceding the date of this Prospectus which would affect or have a significant impact on their financial position and no material change in the nature of its or their business is contemplated.

5. ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE

The organizational structure of the Company consists of the Board of Directors ("**Board of Directors**" or "**Board**") and the Company's committees, namely the Audit Committee; the Nomination and Remuneration Committee; and the Executive Committee. The Board assumes final responsibility for guidance, general supervision and general control over the Company and Senior Executives.

The following chart sets out the organizational structure of the Company as of the date of this Prospectus.

Figure (5-1): Company structure chart

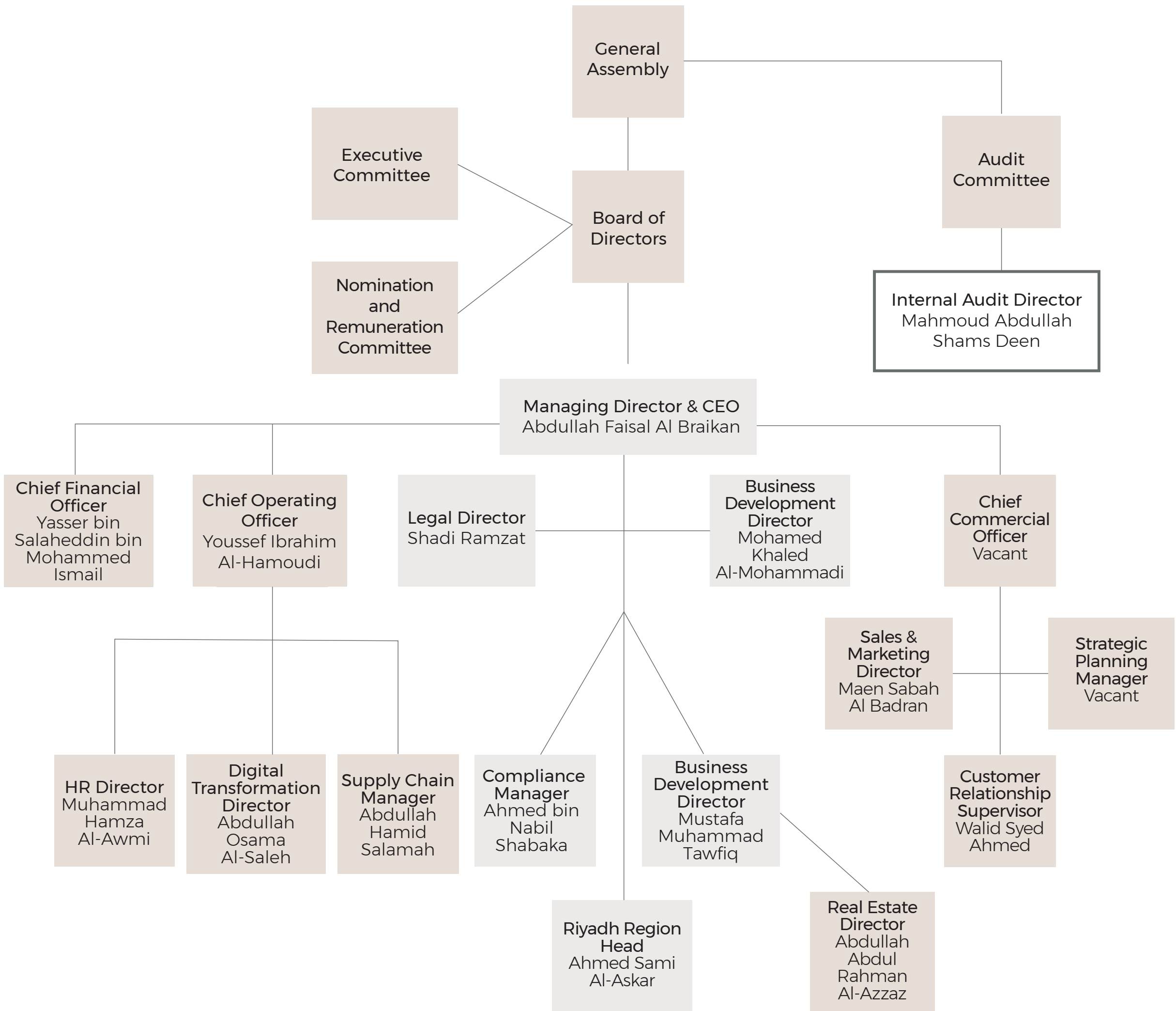


Table (5-1): Direct Ownership in the Company pre and post Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Par Value (SAR)	Ownership Percentage	No. of Shares	Par Value (SAR)	Ownership Percentage
Al Fozan Holding Company	37,500,000	375,000	93.75%	26, 250,000	262,500,000	65.625%
Abdullah bin Faisal bin Abdulaziz Al-Braikan	2,000,000	20,000,000	5.00%	1,400,000	14,000,000	3.5%
Al Saham Holding Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Athman Holding Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Gheras Holding Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Maali Al Khaleej Trading Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Public	-	-	-	12,000,000	120,000,000	30%
Total	**40,000,000**	**400,000,000**	**100,000%**	**40,000,000**	**400,000,000**	**100,000%**

Source: the Company

5.1 Board Members and Secretary

5.1.1 Composition of the Board of Directors

Under the Bylaws, the Board of Directors shall be comprised of nine (9) Directors appointed by the Ordinary General Assembly. The Companies Law, the Corporate Governance Regulations, the Company's Bylaws and the Corporate Governance Manual determine the duties and responsibilities of the Board of Directors. The term of the Board of Directors, including the Chairman, is for a maximum period of three (3) years. As an exception thereto, the Conversion General Assembly appointed the first Board of Directors for a period of five (5) years.

As of the date of this Prospectus, the Board of Directors is comprised of nine (9) Directors.

The following table sets out the names of the Directors as of the date of this Prospectus:

Table (5-2): Company's Board of Directors

No.	Name	Position	Nationality	Status	Date of Appointment	End of Period	Direct Ownership		Indirect Ownership	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Abdullah bin Abdullatif bin Ahmed Al-Fozan	Chairman	Saudi	Non-Executive/ Non-Independent	28/11/ 1441H (corresponding to 19/ 07/ 2020G)	27/ 11/ 1446H (corresponding to 25/ 05/ 2025G)	-	-	12.35%	8.65%
2	Ali bin Abdullatif bin Ahmed Al-Fozan	Vice Chairman	Saudi	Non-Executive/ Non-Independent	28/ 11/ 1441H (corresponding to 19/ 07/ 2020G)	27/11/1446H (corresponding to 25/ 05/ 2025G)	-	-	12.35%	8.65%
3	Fozan bin Mohammed bin Ahmed Al-Fozan	Member	Saudi	Non-Executive/ Non-Independent	28/ 11/ 1441H (corresponding to 19/ 07/ 2020G)	27/11/1446H (corresponding to 25/ 05/ 2025G)	-	-	9.50%	6.65%

No.	Name	Position	Nationality	Status	Date of Appointment	End of Period	Direct Ownership		Indirect Ownership	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
4	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal	Member	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	27/11/1446H (corresponding to 25/05/2025G)	-	-	-	-
5	Fahd bin Abdulrahman bin Mohammed Al-Mujil	Member	Saudi	Non-Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	27/11/1446H (corresponding to 25/05/2025G)	-	-	-	-
6	Abdullah bin Faisal bin Abdulaziz Al-Braikan	Member	Saudi	Executive/ Non-Independent	28/11/1441H (corresponding to 19/07/2020G)	27/11/1446H (corresponding to 25/05/2025G)	5.0%	3.5%	-	-
7	Majed bin Ayed bin Ajil Al Nafaie	Member	Saudi	Non-Executive/ Independent	07/04/1442H (corresponding to 22/11/2020G)	27/11/1446H (corresponding to 25/05/2025G)	-	-	-	-
8	Hani bin Othman bin Saeed Baothman	Member	Saudi	Non-Executive/ Independent	22/12/1442H (corresponding to 01/08/2021G)	27/11/1446H (corresponding to 25/05/2025G)	-	-	-	-
9	Abdulrahman bin Abdullah bin Saleh Al-Wabel	Member	Saudi	Non-Executive/ Independent	22/12/1442H (corresponding to 01/08/2021G)	27/11/1446H (corresponding to 25/05/2025G)	-	-	-	-

Source: the Company

The current Secretary of the Board of Directors is Hussam Mohammed al-Kaf who does not hold any Shares in the Company.

5.1.2 Responsibilities of the Board of Directors

The responsibilities of the Chairman, members and Secretary of the Board of Directors include the following:

5.1.2.1 Board of Directors

In accordance with the bylaws, the Board of Directors is vested with the fullest powers to run the Company on a day-to-day basis. Under the Company's Corporate Governance Manual, the Board of Directors has the following responsibilities:

- Developing the Company's plans, policies, strategies and main objectives, as well as periodically overseeing their implementation, reviewing them, and ensuring the availability of the necessary human and financial resources to achieve the same, including:
  - Developing, reviewing, and guiding the Company's comprehensive strategy, main business plans and risk management policy.
  - Determining the optimal capital structure of the Company, its strategies and financial objectives, as well as approving annual budgets.
  - Overseeing the Company's capital expenditures and the ownership and disposal of assets.
  - Setting performance objectives and monitoring the Company's overall performance.
  - Periodically reviewing and adopting the Company's organizational and human resource structures.
  - Ensuring the availability of the human and financial resources necessary to achieve the Company's main objectives and plans.

- Developing and overseeing internal control systems and regulations:
  - Developing a written policy to regulate conflicts of interest and address possible conflicts of interest by directors, executive management and shareholders, including misuse of Company assets and facilities, and misconduct resulting from transactions with related parties.
  - Ensuring the integrity of the financial and accounting systems used, including relevant financial reporting systems.
  - Ensuring that appropriate risk management systems are in place by identifying the overall risks that the Company may face, cultivate a risk-aware environment at the Company, and transparently presenting such risks to the stakeholders and Related Parties.
  - Annually reviewing the effectiveness of the Company's internal control procedures.
  - Establishing and adopting clear and specific policies and criteria for Board membership subject to General Assembly approval.
  - Developing a written policy governing the relationship with stakeholders.
  - Developing policies and procedures to ensure that the Company complies with laws and regulations, while remaining committed to disclosing material information to the shareholders and stakeholders, as well as ensuring that the executive management comply with the same.
  - Overseeing the Company's financial management, cash flow, and financial and credit ties with third parties.
- Proposing to the Extraordinary General Assembly what they may deem fit regarding the following:
  - Increasing or decreasing the Company's capital.
  - Resolving to dissolve the Company before the term set forth in the Bylaws is up or otherwise continuing it thereafter.
- Proposing to the Ordinary General Assembly what they may deem fit regarding the following:
  - Using the Company's provisional reserve, if formed by the Extraordinary General Assembly and not allocated for a specific purpose.
  - Building up additional reserves or financial allocations for the Company.
  - Determining the method of distributing the Company's net profits.
  - Preparing and approving the Company's initial and annual financial statements before their circulation.
  - Preparing and approving the Board of Directors' report before its circulation.
  - Ensuring the accuracy and integrity of the data and information to be disclosed, in accordance with the applicable disclosure and transparency policies and laws.
  - Establishing effective communication channels that continuously and periodically grants shareholders access to the various aspects of the Company's activities and any material developments.
  - Forming specialized committees derived therefrom pursuant to resolutions specifying such committees' term, powers and responsibilities, as well as the method the Board will adopt to oversee them, provided that such resolution indicates the name of the committee members and their obligations, rights and duties; and evaluating the performance and work of such committees and their members.
  - Determining the kinds of remunerations granted to the Company's employees, such as fixed remunerations, performance-related bonuses, and bonuses in the form of shares, in accordance with the provisions concerning Joint Stock Companies in the Companies Law for Closed.
  - Setting the values and standards that govern work in the Company.

5.1.2.2 Chairman of the Board

The responsibilities of the Chairman of the Board of Directors revolve around leading the Board and facilitating constructive contributions and initiatives by all Board members to ensure that the Board is effective in performing its functions as a whole through the exercise of its duties and responsibilities.

In accordance with the Bylaws, the Chairman is granted extensive powers of representation before various governmental authorities. Under the Corporate Governance Regulations, the Chairman's main responsibilities include:

- Ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course;
- Ensuring that the Board effectively discusses all fundamental issues in due course;
- Representing the Company before third parties in accordance with the Companies Law, its Implementing Regulations and the Bylaws;

- Encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company;
- Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board;
- Encouraging constructive relationships and effective participation between the Board and the Senior Executives on the one hand, and the Directors on the other hand, and creating a culture that encourages constructive criticism;
- Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the Managing Director upon preparing the Board's agenda; and
- Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.
- Notifying the Ordinary General Assembly, during its meetings, of the businesses and contracts in which any Board member has any direct or indirect interest. Such notice shall indicate the nature and limits of the interest, the names of all concerned parties, and the benefit expected to be obtained, directly or indirectly, from such interest, whether financial or otherwise. Pursuant to the Companies Law and its implementing regulations, the member holding such interest may not participate in voting on resolutions to be adopted in this respect. Furthermore, a special report prepared by an external auditor shall be attached to said notice.

5.1.2.3 Duties of the Independent Member

Subject to the duties of the members of the Board of Directors mentioned in the Corporate Governance Manual, the independent member of the Board of Directors shall actively participate in the performance of the following tasks:

- Expressing an independent opinion on strategic issues, the Company's policies and performance, and the appointment of members of the executive management.
- Verifying that the interests of the Company and its shareholders are taken into account and flagging any conflict of interest that occurs.
- Supervising the development of the Company's corporate governance rules, and monitoring the implementation thereof by the executive management.
- Attending all Board meetings in which important and fundamental decisions affecting the Company's position are taken.

5.1.2.4 Secretary of the Board

The Secretary of the Board of Directors shall be responsible for organizing the meetings of the Board. In addition to the other duties assigned by the Board of Directors to the Secretary, and under the Company's Corporate Governance Manual, the main responsibilities of the Secretary of the Board of Directors include the following:

- Supervising the procedures for holding meetings.
- Ensuring that the meetings are quorate as per the applicable laws during the course of Board activities;
- Ensuring the implementation of the legal procedures relating to holding and conducting meetings, especially with regard to voting and issuing resolutions;
- Ensuring that equality and transparency are exercised with all Board Members with regard to obtaining information;
- Following up the implementation of the Board's resolutions;
- Documenting the Board meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times on which such meetings commenced and concluded; recording the decisions of the Board and voting results and retaining them in a special and organized register, and including the names of the attendees and any reservations they expressed (if any); and getting such minutes signed by all of the attending members;
- Retaining the reports submitted to the Board and the reports prepared thereby;
- Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member;
- Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting;
- Presenting the draft minutes to the Board members to provide their opinions before signing the same;

- Ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Company;
- Coordinating among the Board members;
- Regulating and periodically updating the disclosure register of the Board and Executive Management as per disclosures required under the Companies Law; and
- Providing assistance and advice to the Board members.

5.1.2.5 Chief Executive Officer

The Chief Executive Officer shall perform the duties assigned thereto faithfully and properly, in the interest of the Company and all Shareholders, rather than for a certain group thereof. The Chief Executive Officer and the Senior Executives shall not engage in any business that may lead to any conflict of interest with the Company. In the event that such conflict of interest occurs, the Chief Executive Officer and the Senior Executives shall disclose such conflict to the Board, as per the policies adopted by the Company in this regard.

5.1.3 Biographies of the Members and Secretary of the Board

An overview of the experiences, qualifications, and current and previous positions of each Member of the Board of Directors as well as the Secretary of the Board.

5.1.3.1 Abdullah bin Abdullatif bin Ahmed Al-Fozan

Name:	Abdullah bin Abdullatif bin Ahmed Al-Fozan
Age:	54 years
Nationality:	Saudi
Current Position:	Chairman of the Board of Directors and the Executive Committee
Appointment Date:	19/7/2020G
Academic Qualifications:	• Bachelor's degree in accounting from King Saud University, Riyadh, 1989.
Current Executive Positions:	• Since 2019G, director of Al Khobar Lakes Real Estate Development Company, a limited liability company engaging in the management and leasing of owned or rented residential and non-residential properties. • Since 2019G, director of Shomoul Complex Trading Company, a single shareholder company engaging in the management and leasing of owned or rented residential and non-residential properties. • Since 2010G, director of Ezdan Al Sharq Trading Co., Ltd., a limited liability company engaging in the retail trade of electronic, electrical and household appliances. • Since 2017G, director of Atheel Holding Company, a limited liability company engaging in the wholesale and retail trade of building materials. • Since 2011G, director of Atheel Arabia Services Company, a limited liability company engaging in the third-party export and inspection services sector. • Since 2008G, director of Etlala Al Arabia Trading Co., Ltd., a limited liability company engaging in the general construction sector for residential buildings. • Since 2008G, director of the Safinat Arabia Contracting Company, a limited liability company engaging in the furniture, equipment, and office equipment repair sector. • Since 2019G, director of the Abdullatif Al-Fozan Award for Mosque Architecture, a single shareholder company engaging in the management and leasing of owned or rented residential and non-residential properties. • Since 2019G, director of Autism Educational Endowment Services Company, a limited liability company engaging in the education sector. • Since 2008G, director of Iksir Al Khaleej Contracting Company, a limited liability company engaging in the general contracting sector for buildings. • Since 2006G, director of Al-Fozan Investment Company Limited, a single shareholder company engaging in the food and beverage sector. • Since 2020G, director of Masarat Investment Company, a limited liability company engaging in the retail trade of food, beverage, textile, and footwear. • Since 2011G, director of Smou Arabia Trading Company Ltd., a limited liability company engaging in the retail trade of electrical appliances.

Previous Executive Positions:	• From 2010G to 2020G, director at Ezdan Arabia Trading Company Ltd., a limited liability company engaging in the building demolition and removal sector. • From 2018G to 2020G, director at Asnad Advanced Healthcare Solutions, a single shareholder company, engaging in the medical operation sector for medical complexes.
Other Current Memberships:	• Since 2011G, chairman of the Board of Directors of Bawan, a public joint-stock company, engaging in the construction sector. • Since 2009G, chairman of the Board of Directors of Al-Fozan Holding, a closed joint stock company, engaging in the management and investment sector. • Since 2017G, chairman of the Board of Directors of Dhahran Expo, a closed joint stock company engaging in the organization and management of exhibitions and conferences. • Since 2009G, managing director of Abdullatif and Mohammed Al-Fozan Company, a closed joint stock company engaging in the sector of managing subsidiaries and owning real estate and movables necessary for holding companies. • Since 2009G, managing director of Al-Maali Holding Company, a closed joint-stock company engaging in the sector of managing company subsidiaries and owning real estate and necessary movables for holding companies. • Since 2016G, managing director of Ajwad Holding Company, a closed joint stock company engaging in the subsidiary management sector. • Since 2021G, managing director of Al-Maali Holding Company, a closed joint-stock company engaging in the sector of managing holding company subsidiaries and investing the funds of holding company subsidiaries. • Since 2021G, managing director of Zawaya Holding Company, a closed joint stock company engaging in the sector of managing holding company subsidiaries and investing the funds of holding company subsidiaries. • Since 2014G, vice chairman of the board of directors of Shomoul Holding Company, a limited liability company engaging in the real estate development sector. • Since 2012G, chairman of the board of directors of Rafa Gulf Contracting Company Ltd., a limited liability company engaging in the public construction sector of residential and non-residential buildings. • Since 2007G, chairman of the board of directors of Maali Al Khaleej Trading Company, a limited liability company engaging in the retail trade of hardware, carpentry and blacksmith tools. • Since 2007G, chairman of the board of directors of Ajdan Real Estate Development Company, a limited liability company engaging in the real estate development sector. • Since 2021G, chairman of the board of directors of Remal AlKhobar Real Estate Company, a limited liability company engaging in the public construction sector of residential and non-residential buildings. • Since 2008G, chairman of the board of directors of Midad Holdings Company, a limited liability company engaging in the wholesale trade of industrial machinery. • Since 2016G, member of the Board of Directors of AUVA - Projects & Supplies Company Ltd., a limited liability company engaging in the field of construction, establishment, and repair of electric power stations and transformers. • Since 2010G, member of the Board of Directors of Gulf Riyadah Company Ltd., a limited liability company engaging in the oil and gas pipelines sector. • Since 2014G, member of the Board of Directors of Amjal Property Development Company, a limited liability company engaging in the public construction sector for residential and non-residential buildings. • Since 2007G, member of the Board of Directors of Saudi Tharwa, a limited liability company engaging in the purchase of land to construct and sell buildings. • Since 2007G, member of the Board of Directors of Madar Building Materials Co., Ltd., a limited liability company engaging in the wholesale trade of all types of wood. • Since 2007G, member of the Board of Directors of Amwal Alkhaleej Investment Co., a limited liability company engaging in the public construction sector for residential buildings. • Since 2018G, member of the Board of Directors of the National Center for Family Businesses, a center affiliated with the Saudi Ministry of Commerce and Investment aiming to highlight and develop the role of family businesses in economic and social development.

Other Previous Memberships:	• From 2010G to 2018G, vice chairman of the board of directors of Al Oula Real Estate Development Holding Company, a closed joint stock company engaging in the management of its subsidiaries and participating in the management of other companies. • From 2004G to 2021G, chairman of the board of directors of eXtra (United Electronics Co.), a public joint stock company engaging in the electrical, electronic and household appliances trade sector. • From 2010G to 2019G, member of the board of directors of the Arab Paper Manufacturing Company (WARAQ), a closed joint stock company engaging in the paper and cardboard roll production sector. • From 2007G to 2019G, member of the board of directors of Madar Hardware Company, a limited liability company engaging in the wholesale trade of hardware and tools. • From 2006G until 2020G, member of the board of directors of Injaz Projects Company Limited, a limited liability company engaging in the purchase of land to construct and sell buildings. • From 2007G to 2019G, member of the board of directors of Madar Electrical Material, a limited liability company engaging in the retail trade of electrical appliances and extensions. • From 2009G to 2017G, member of the board of directors of United Transformers Electric Company UTEC, a mixed limited liability company engaging in the production of motor control devices and electric stations. • From 2009G to 2017G, member of the board of directors of United Technology of Electric Substations & Switchgears Co. USSG, a mixed limited liability company engaging in the production of motor control devices and electric stations. • From 2007G to 2016G, member of the board of directors of Zonik Digital Electronic Solution, a limited liability company engaging in the retail trade of electronic and household electrical appliances. • From 2016G to 2019G, member of the board of directors of Nesaj Housing Real Estate Company, a limited liability company engaging in the building maintenance services sector. • From 2012G to 2019G, chairman of the board of directors of United Homeware Company Ltd, a limited liability company engaging in the wholesale trade of home furniture and furnishings. • From 2001G to 2020G, chairman of the board of directors of ARNON Plastic Industries Co. Ltd., a single shareholder company engaging in the semi-finished plastic products sector.

5.1.3.2 Ali bin Abdullatif bin Ahmed Al-Fozan

Name:	Ali bin Abdullatif bin Ahmed Al-Fozan
Age:	62 years
Nationality:	Saudi
Current Position:	Vice Chairman of the Board
Appointment Date:	19/07/2020G
Academic Qualifications:	• Degree from the Institute of Public Administration in Dammam, Department of Financial Studies, 1986G
Current Executive Positions:	• Since 2010G, director of Al-Fozan Development and Progress Company, a limited liability company engaging in the general building services activities.
Previous Executive Positions:	N/A

Other Current Memberships:	• Since 2007G, Chairman of the Board of Directors of Madar Hardware Company, a limited liability company engaging in the wholesale trade of hardware and tools. • Since 2007G, Chairman of the Board of Directors of Madar Electrical Material Limited, a limited liability company engaging in the retail trade of electrical appliances and extensions. • Since 2010G, Chairman of the Board of Directors of Gulf Riyadah Company Ltd., a limited liability company engaging in the oil and gas pipelines sector. • Since 2005G, member of the Board of Directors of Madar Building Materials Co., Ltd., a limited liability company engaging in the wholesale trade of all types of wood. • Since 2016G, member of the Board of Directors of the AUVA - Projects & Supplies Company Ltd., a limited liability company engaging in the field of construction, establishment, and repair of electric power stations and transformers. • Since 2009G, member of the Board of Directors of Abdullatif and Mohammed Al-Fozan Company, a closed joint stock company engaging in the sector of managing subsidiaries and owning real estate and movables necessary for holding companies. • Since 2009G, member of the Board of Directors of Al-Fozan Holding, a closed joint stock company managing subsidiaries and investing their funds. • Since 2009G, member of the Board of Directors of Al-Maali Holding Company, a closed joint-stock company engaging in the sector of managing subsidiaries and owning real estate and movables necessary for holding companies. • Since 2016G, member of the Board of Directors of Ajwad Holding Company, a closed joint stock company engaging in the management of subsidiaries. • Since 2021G, member of the Board of Directors of Al-Maali Holding Company, a closed joint stock company, engaging in the sector of managing holding company subsidiaries and investing the funds of holding company subsidiaries. • Since 2021G, member of the Board of Directors of Zawaya Holding Company, a closed joint-stock company engaging in the sector of managing holding company subsidiaries and investing the funds of holding company subsidiaries.
Other Previous Memberships:	• N/A

5.1.3.3 Fozan bin Mohammed bin Ahmed Al-Fozan

Name:	Fozan bin Mohammed bin Ahmed Al-Fozan
Age:	50 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	19/07/2020G
Academic Qualifications:	• Bachelor's degree in Administrative Sciences, majoring in accounting, from King Saud University, in Riyadh, 1993G.
Current Executive Positions:	• Since 2010G, CEO of Bawan, a public joint-stock company engaging in the wholesale and retail trade of construction materials.
Previous Executive Positions:	N/A

Other Current Memberships:	• Since 2018G, Chairman of the Board of Directors of the United Company for Financial Services, a single shareholder closed joint stock company engaging in the consumer finance sector. • Since 2018G, Chairman of the Board of Directors of BlomInvest Company, a closed joint stock company engaging in the sector of providing advice and custodianship of securities. • Since 2010G, Managing Director of Bawan, a public joint-stock company engaging in the wholesale and retail trade of construction materials. • Since 2004G, Chairman of the Board of Directors of Al-Mada Holding Company, a limited liability company engaging in the wholesale and retail trade in building materials and land purchase. • Since 2011G, Chairman of the Board of Directors of Amjal Property Development Company, a single shareholder company engaging in the purchase of land and real estate for the purpose of building, developing and investing by selling, renting and maintaining real estate. • Since 2008G, member of the Board of Directors of Al-Fozan Holding Company, a closed joint stock company engaging in the management of its subsidiaries or participating in the management of other companies in which it contributes and providing them with the necessary support. • Since 2009G, member of the Board of Directors of Abdullatif and Mohammed Al-Fozan Company, a closed joint stock company engaging in the wholesale and retail trade of building materials and land purchase. • Since 2004G, member of the Board of Directors of eXtra (United Electronics Co.), a public joint stock company engaging in the retail trade of electronic and household appliances, communications, and associated solutions and services. • Since 2002G, member of the Board of Directors of Al-Yamamah Steel Industries Company Ltd., a closed joint stock company engaging in the wholesale and retail trade in rebar and iron products of all kinds. • Since 2004G, member of the Board of Directors of Madar Building Materials Co., Ltd., a limited liability company engaging in the wholesale and retail trade of building materials (sanitary - electrical - construction).
Other Previous Memberships:	N/A

5.1.3.4 Abdulrahman bin Ibrahim bin Abdulrahman Aljalal

Name:	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal
Age:	49 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	19/07/2020G
Academic Qualifications:	• Bachelor's degree in accounting from King Saud University, in Riyadh, 1996G. • MBA from University College of Bahrain, in Bahrain, 2016G.
Current Executive Positions:	• Since 2017G, CEO of Dhahran Expo, a closed joint stock company engaging in the organization and management of exhibitions and conferences.

Previous Executive Positions:	• From 2014G to 2017G, Executive Vice President for Financial Affairs and Shared Services at the National Gas and Industrialization Company (GASCO), a public joint stock company engaging in the sector of gas transportation, packaging and marketing. • From 2014G to 2017G, Assistant Secretary-General for the Subscribers and Business Development Sector at Asharqia Chamber, a non-profit organization engaging in the business development sector. • From 2012G to 2014G, Assistant Secretary-General for Subscriber Services at Asharqia Chamber, a non-profit organization engaging in the business development sector. • From 2009G to 2012G, Assistant Secretary-General for Administrative Services at Asharqia Chamber, a non-profit organization engaging in the business development sector. • From 2008G to 2009G, Head of the Finance, Budget and Reports Department at Advanced Petrochemical Company, a public joint stock company engaging in the petrochemical industry sector. • From 2007G to 2009G, Head of the Fixed Assets Department at Advanced Petrochemical Company, a public joint stock company engaging in the petrochemical industry sector. • From 1996 to 2007G, Senior Accountant at the Saudi Electricity Company, a public joint stock company engaging in the sector of generation, transmission and distribution of electric power. • From 1996 to 1996, Accountant at King Saud University, a public university engaging in the education sector.
Other Current Memberships:	• Since 2019G, member of the Board of Directors of the Nesaj Real Estate Residential Compound Company, a limited liability company engaging in the building maintenance services sector.
Other Previous Memberships:	• From 2018G to 2021G, member of the Board of Directors and Member of the Audit Committee of Al-Nabaa Health Company, a closed joint stock company engaging in the hospital management sector.

5.1.3.5 Fahd bin Abdulrahman bin Mohammed Al-Mujil

Name:	Fahd bin Abdulrahman bin Mohammed Al-Mujil
Age:	53 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	19/07/2020G
Academic Qualifications:	• Bachelor's degree in industrial management from King Fahd University of Petroleum and Minerals, in AlDahran, 1991G. • Certificate in financial analysis and risk management from the Central Bank of Saudi Arabia - the Banking Institute in Riyadh, 1994G. • Islamic Banking Certificate in Islamic Banking Sciences from the Bahrain Institute of Banking and Finance, in Bahrain, 1997G.
Current Executive Positions:	N/A
Previous Executive Positions:	• From 1991 to 1993, Operations Manager at the National Metal Fabrication and Casting Company, a listed joint stock company engaging in the wrought iron production sector. • From 1993 to 1995, Credit and Risk Management Officer at Arab National Bank, a listed joint stock company engaging in the banking sector. • From 1995 to 2006G, Executive Vice President at Shamil Bank of Bahrain, a joint stock company listed on the Bahrain Stock Exchange engaging in the banking sector. • From 2006G until 2008G, General Manager at Gulf Real Estate Company, a closed company engaging in the real estate development sector.

Other Current Memberships:	• Since 2007G, member of the Board of Directors of the Saudi Tharwa Company, a limited liability company engaging in the real estate development sector. • Since 2012G, member of the Board of Directors of the National Amlak Investment Company, a closed joint stock company engaging in the investment sector. • Since 2015G, member of the Board of Directors of BlomInvest, a closed joint stock company engaging in the investment sector. • Since 2018G, member of the Board of Directors of Al-Khumasiya Feed and Animal Products, a closed joint stock company engaging in the animal feed and production sector. • Since 2018G, member of the Board of Directors of Al Widyan Real Estate Company, a closed joint stock company engaging in the real estate development sector. • Since 2019G, member of the Executive Committee of the Saudi Real Estate Company, a listed joint stock company engaging in the real estate development sector.
Other Previous Memberships:	• From 2011G to 2014G, member of the Board of Directors of Al Etihad Cooperative Insurance Company, a listed joint stock company engaging in the insurance sector.

5.1.3.6 Abdullah bin Faisal bin Abdulaziz Al-Braikan

Name:	Abdullah bin Faisal Abdulaziz Al-Braikan
Age:	37 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors and CEO
Appointment Date:	19/07/2020G
Academic Qualifications:	• Bachelor's degree in architecture from King Faisal University, in Dammam, 2006G.
Current Executive Positions:	• Since 2012G, CEO of Retal for Urban Development, a closed joint stock company engaging in the urban development sector.
Previous Executive Positions:	• From 2011G to 2012G, Project Manager at Abdullatif and Mohammed Al-Fozan Company, a closed joint stock company engaging in the sector of managing subsidiaries and owning real estate and movables necessary for subsidiaries.

Other Current Memberships:	• Since 2014G, Chairman of the Board of Managers of Tadbeir Facilities Management, a limited liability company engaging in the sector of general cleaning of buildings. • Since 2021G, Chairman of the Board of Managers of Wasm Valuation, a limited liability company engaging in the real estate valuation sector. • Since 2021G, Chairman of the Board of Managers of Tadbeir Real Estate Company, a limited liability company engaging in the real estate sector. • Since 2014G, Chairman of the Board of Managers of Nesaj Urban Development Company, a limited liability company engaging in the project management sector. • Since 2014G, Chairman of the Board of Directors of Building Construction Company, a limited liability company engaging in the contracting sector. • Since 2014G, Chairman of the Board of Directors of the Nesaj Real Estate Residential Compound Company, a limited liability company engaging in the building maintenance services sector. • Since 2014G, a member Al-Fozan community service initiatives, a charitable organization engaging in the community service sector. • Since 2018G, member of the Developmental Housing Committee in the Eastern Province, which is engaging in the business development sector. • Since 2020G, member of the Board of Directors, Chairman of the Audit Committee, and Member of the Executive Committee of Jeddah Downtown, a company affiliated with the Public Investment Fund and engaging in the real estate development sector. • Since 2021G, member of the Board of Directors of the Saudi Charitable Organization, a charitable organisation for the Promotion of Organ Donation (Eithar). • Since 2021G, member of the Board of Directors of Remal Al Khobar Real Estate Company, a limited liability company, engaging in the public construction sector for residential and non-residential buildings. • Since 2021G, Chairman of the Board of Directors of Olou Investment Company, a limited liability company engaging in the investment sector. • Since 2021G, Chairman of the Board of Directors of Wabra Investment Company, a limited liability company engaging in the investment sector. • Since 2021G, Chairman of the Board of Directors of the Mimar Emirates and Arac Engineering Consultancy, a limited liability company engaging in engineering consultancy. • Since 2020G, Chairman of the Board of Directors of Arac Engineering Consultancy, a professional office engaging in the field of engineering consultancy.
Other Previous Memberships:	• From 2018G to 2020G, Chairman of the Executive Council of Youth Businessmen in the Eastern Province, which is a government agency engaging in the business development sector. • From 2014G to 2017G, Vice-Chairman of the Housing and Urban Development Committee in Asharqia Chamber, a non-profit organization, which is engaging in the business development sector.

5.1.3.7 Majed bin Ayed bin Ajil Al Nafaie

Name:	Majed bin Ayed bin Ajil Al Nafaie
Age:	45 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	22/11/2020G
Academic Qualifications:	• Bachelor's degree in Commerce from Umm Al-Qura University, in Makkah AlMukarama, 1998G.

Current Executive Positions:	• Since 2014G, CEO and member of the board of directors of Seera Group Holding, a listed joint stock company engaging in the travel and tourism sector. • Since 2020G, Director of Seera Holiday for Travel and Tourism Co Ltd, a limited liability company engaging in the travel and reservations sector. • Since 2020G, Director of Seera Hospitality Company, a limited liability company engaging in the hospitality and real estate investment sector. • Since 2020G, Director of Seera Hotel Company, a limited liability company engaging in the hotel sector. • Since 2020G, Director of Dar Mothmerah Development and Real Estate Investment Company, a limited liability company engaging in the real estate investment sector. • Since 2020G, Director of Discover Saudi, a limited liability company engaging in the tourism sector. • Since 2019G, Director of Riyadh Front, a limited liability company engaging in the exhibition and conference organization sector. • Since 2005G, Director of Mawasim, a limited liability company engaging in the Hajj and Umrah sector. • Since 2017G, Director of Sheraton Makkah, a limited liability company engaging in the hospitality and hotels sector.
Previous Executive Positions:	N/A
Other Current Memberships:	• Since 2008G, Chairman of the Board of Directors of Mawasem Investment, a limited liability company engaging in the tourism investment sector. • Since 2020G, Chairman of the Board of Directors of Lumi Car Rental, a closed joint stock company engaging in the car rental sector. • Since 2020G, Chairman of the Board of Directors of Almosafer Travel and Tourism Company, a single-person closed joint stock company engaging in the travel and tourism sector. • Since 2014G, member of the Board of Directors of Seera Group Holding, a listed joint stock company engaging in the travel and tourism sector.
Other Previous Memberships:	N/A

5.1.3.8 Abdulrahman bin Abdullah bin Saleh Al-Wabel

Name:	Abdulrahman bin Abdullah bin Saleh Al-Wabel
Age:	56 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	01/08/2021G
Academic Qualifications:	• Bachelor's degree in Administrative Sciences, majoring in Law, from King Saud University, in Riyadh 1989G.
Current Executive Positions:	• Since 2018G, member of the Executive Committee of Dhahran Expo, a closed joint stock company engaging in the organization and management of exhibitions and conferences. • Since 2020G, member of the Audit Committee of Dhahran Expo, a closed joint stock company engaging in the organization and management of exhibitions and conferences. • Since 2010G, Secretary-General of the Asharqia Chamber, which is a non-profit organisation engaging in the business development sector.
Previous Executive Positions:	• From 1989 to 1990, Legal Advisor at the National Commercial Bank, a listed joint stock company engaging in the banking sector. • From 1998 to 2007G, manager of the Legal Department at Asharqia Chamber, a non-profit organization engaging in the business development sector. • From 2007G to 2010G, Assistant Secretary-General for Subscriber Services in Asharqia Chamber, a non-profit organization engaging in the business development sector. • From 1990 to 2010G, Legal Advisor at Asharqia Chamber, a non-profit organization engaging in the business development sector.

Other Current Memberships:	• Since 2014G, member of the Board of Directors of Dhahran Expo, a closed joint stock company engaging in the organization and management of exhibitions and conferences.
Other Previous Memberships:	N/A

5.1.3.9 Hani bin Othman bin Saeed Baothman

Name:	Hani bin Othman bin Saeed Baothman
Age:	53 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors
Appointment Date:	01/08/2021G
Academic Qualifications:	• Bachelor's degree in Mechanical Engineering from the University of Reading, in Berkshire, 1995. • MBA from the University of London (Imperial College School of Management), in London, 2001G.
Current Executive Positions:	N/A
Previous Executive Positions:	• From 2008G to 2011G, Managing Director and CEO of Sidra Capital, a closed joint stock company engaging in the asset management sector. • From 2006G to 2008G, CEO of Aayan Arabia Holding, a holding company engaging in the financial services sector. • From 2004G to 2006G, Director of Private Investments in SEDCO Holding, a holding company engaging in the business development sector. • From 2002G to 2004G, Investment Officer at the Islamic Corporation for the Development of the Private Sector, a development financial institution affiliated with the Islamic Development Bank Group engaging in portfolio management, capital mobilization in the international financial markets, and providing advisory services.
Other Current Memberships:	• Since 2010G, member of the Board of Directors of Al Khozama Management Company, a closed joint stock company engaging in the hospitality sector. • Since 2020G, Vice Chairman of the Board of Directors and Chairman of the Executive Committee of Uptown Jeddah, a company affiliated with the Public Investment Fund and engaging in the real estate development sector. • Since 2011G, member of the Board of Directors of Al Murjan International Holding (Dubai), a limited liability company engaging in the investment sector. • Since 2014G, Chairman of the Board of Directors of Inoks Capital (Geneva), a closed joint stock company engaging in the asset management sector. • Since 2020G, Chairman of the Board of Directors of Sidra Capital, a closed joint stock company engaging in the asset management sector.
Other Previous Memberships:	N/A

5.1.3.10 Hussam bin Mohammed bin Aloui Al-Kaf

Name:	Hussam bin Mohammed Aloui Al-Kaf
Age:	39 years
Nationality:	Yemeni
Current Position:	Board of Directors Secretary
Appointment Date:	06/09/2020G
Academic Qualifications:	• Bachelor of Marketing and Production Management from the University of Science and Technology in Yemen, 2010G. • Certificate of Professional Compliance accredited by the Institute of International Compliance and Anti-Money Laundering (UK), 2018G.
Current Executive Positions:	• Since 2020G, Secretary of the Board of Directors of Retal for Structural Development, a closed joint stock company engaging in the urban development sector.
Previous Executive Positions:	• From 2009G to 2020G, Secretary of the Board of Directors of Baitek, a limited liability company engaging in the real estate development sector. • From 2003G to 2009G, Executive Secretary at Al Ain Professional Corporation, a sole proprietorship engaging in the commercial services sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.2 Board Committees

The Company shall have the number of committees needed to meet the Company's needs and circumstances, so that the Board is able to perform its duties effectively. The Company's committees shall be formed according to general procedures set by the General Assembly and the Board of Directors, including defining the committee's mission, term, the powers vested therein, and the procedures set to monitor the same. The committees shall transparently inform the General Assembly or the Board, as the case may be, of the tasks undertaken, results achieved, and resolutions passed thereby. The General Assembly or the Board of Directors shall periodically follow up the committees' work to ensure that they are indeed carry out the tasks entrusted thereto.

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.2.1 Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to identify qualified candidates who are eligible for membership of the Board and the Executive Management. The Committee is also responsible for ensuring that the Company's nomination policy that helps it properly fill vacancies, achieve the intended goals, and retain distinguished Board members and Senior Executives. The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Preparing a clear policy for the remunerations of the Board members, its committees, and the Executive Management, presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;
- Clarifying the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviation from that policy;
- Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives;
- Providing recommendations to the Board in respect of the remunerations of Board members, its committees, and the top Executives, in accordance with the approved policy;
- Suggesting clear policies and standards for membership of the Board, it committees, and the Executive Management;
- Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;

- Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
- Determining the amount of time that the member shall allocate to the activities of the Board;
- Annually reviewing the skills and expertise required of the Board members and the Executive Management;
- Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company;
- Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
- Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant;
- Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests; and
- Overseeing the Company's corporate governance policy in relation to the Board members, monitoring its effectiveness, and amending it when needed. For this purpose, the Committee may do the following:
  - Verify the Company's compliance with the relevant laws, regulations, policies, and instructions.
  - Review and update the rules in accordance with the regulatory requirements and best practices.
  - Review and establish the code of professional conduct that best encapsulates the Company's values, as well as other internal policies and procedures to meet the Company's requirements, and in line with the best practices.
  - Keep the Committee members informed of any developments in the field of corporate governance with regard to the members of the Board and best practices.

The Nomination and Remuneration Committee shall consist of three (3) to five (5) members appointed by the Company's Board of Directors for a period equal to the membership term of the Board.

Subject to the requirements to be met by members of the Nomination and Remuneration Committee, the Board of Directors shall appoint the members of the Committee for a period of three (3) years. The Board shall take the necessary measures to enable the Nomination and Remuneration Committee to carry out its functions, including informing the Nomination and Remuneration Committee, without any restrictions, of all data, information, reports, records, correspondences or other matters which the Nomination and Remuneration Committee deems necessary.

The following members were appointed to the Nomination and Remuneration Committee during the Board of Directors' meeting on 21/01/1443H (corresponding to 29/08/2021G):

Table (5-3): Nomination and Remuneration Committee Members

	Name	Title
1	Hani bin Othman bin Saeed Baothman	Chairman - non-executive / independent
2	Fahd bin Abdulrahman bin Mohammed Al-Mujil	Member - non-executive / non - independent
3	Mohammed bin Abdulaziz bin Ibrahim Al-Aqeel	Member - non-executive / non - independent / from outside the board
4	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal	Member - non-executive / non - independent

Source: the Company

The following is a brief overview of the members of Nomination and Remuneration Committee:

5.2.1.1 Hani bin Othman bin Saeed Baothman

Please refer to Hani bin Othman bin Saeed Baothman's overview under Section 5.1.3.9.

5.2.1.2 Fahd bin Abdulrahman bin Mohammed Al-Mujil

Please refer to Fahd bin Abdulrahman bin Mohammed Al-Mujil's overview under Section 5.1.3.5.

5.2.1.3 Mohammed bin Abdulaziz bin Ibrahim Al-Aqeel

Name:	Mohammed bin Abdulaziz bin Ibrahim Al-Aqeel
Age:	54 years
Nationality:	Saudi
Current Position:	Member of the Executive Committee and Retal's Nomination and Remuneration Committee
Appointment Date:	28/11/2020G
Academic Qualifications:	• Bachelor's degree in Industrial Engineering and Operations Research from the University of Petroleum and Minerals in Dammam, 1992G.
Current Executive Positions:	N/A
Previous Executive Positions:	• From 2004G to 2020G, Chief Operating Officer of Al Fozan Holding Company, a closed joint stock company engaging in the management and investment sector. • From 1993 to 2004G, credit advisor at the Saudi Industrial Development Fund, a government fund affiliated with the Council of Ministers that aims to develop, implement, and achieve industrial development policies and programs.
Other Current Memberships:	• Since 2019G, Chairman of the Board of Directors of Al Oula Real Estate Development Holding Company, a closed joint stock company engaging in the real estate development sector. • Since 2021G, member of the Executive Committee of Retal Urban Development Company, a closed joint stock company engaging in the urban development sector. • Since 2021G, member of the Board of Directors and the Nomination and Remuneration Committee of Daar AlTamleek, a closed joint stock company, engaging in the real estate financing sector. • Since 2014G, member of the Board of Directors of Al Irtiqa'a Charity Association, a charitable organization. • Since 2009G, member of the Board of Directors of Midad Holdings Company, a limited liability company engaging in the energy services sector for the oil, gas, mining, and water sectors.
Other Previous Memberships:	• From 2010G to 2017G, member of the Board of Directors and Member of the Audit Committee of Farabi Petrochemicals, a closed joint stock company engaging in the petrochemical production sector. • From 2010G to 2018G, member of the Board of Directors and Chairman of the Audit Committee of Al Badia Cement, a public joint stock company in Syria engaging in the cement production sector. • From 2011G to 2016G, member of the Board of Directors of Amwal International Investment Co., a public joint stock company engaging in the investment sector. • From 2009G to 2019G, member of the Board of Directors of Arnon Plastics Industries Co. Ltd., a limited liability company engaging in the plastic products sector. • From 2012G to 2017G, member of the Board of Directors of United Cable Industries Co., a public joint stock company engaging in the low-voltage electrical wires and cables sector. • From 2012G to 2016G, member of the Board of Directors of Bawan Wood Industries, a limited liability company engaging in the capital goods sector. • From 2016G to 2020G, member of the Board of Directors of Gulf Union Cooperative Insurance, a public joint stock company engaging in the insurance sector.

5.2.1.4 Abdulrahman bin Ibrahim bin Abdulrahman Aljalal

Please refer to Abdulrahman bin Ibrahim bin Abdulrahman Aljalal's overview under Section 5.1.3.4.

5.2.2 Audit Committee

The main task of the Audit Committee is to verify the adequacy, and effective implementation, of the internal control system and to make any recommendations to the Board of Directors that would actuate and develop the system to achieve the Company's objectives, as well as protect the interests of the Shareholders and investors efficiently and at a reasonable cost. The Committee is also responsible for reviewing risk management policies, the annual risk report and risk reduction plans before presenting the same to the Board of Directors. The Committee is responsible for ensuring compliance with the Company's Corporate Governance Regulations and Practices issued by the CMA and the Company's Corporate Governance Manual and Policy. The scope of the Committee's work shall include all actions that enable it to fulfil its functions, including:

- Monitoring the Company's activities and verifying the policies and procedures that guarantee the integrity of the reports, the financial statements, and the internal control systems;
- Setting performance standards for the financial department in line with the Company's investment strategy and objectives;
- Reviewing and evaluating performance indicators for the financial department;
- Ensuring that all of the Company's departments operate in accordance with the policies approved by the Board;
- Reviewing the policies and procedures set by the Management;
- Reviewing the corporate social responsibility policy and media plan, as well as submitting its recommendations to the Board;
- Reviewing the programs of community work initiatives and submitting its recommendations to the Board;
- Reviewing matters submitted thereto by the CEO that fall under its competence and submitting its recommendations to the Board;
- Examining matters referred thereto by the General Assembly or the Board, or such matters that have been assigned thereto;
- Undertaking any other functions assigned thereto by the Board;
- Periodically submitting its oral or written reports and recommendations to the Board;
- Financial Statements:
    - Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency; providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy; analyzing any important or non-familiar issues contained in the financial reports; meticulously investigating any issues raised by the Company's Finance Director or any person assuming their duties or the Company's compliance officer or external auditor; examining the accounting estimates in respect of material issues contained in the financial reports, examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon;
- Internal Audit:
    - Examining and reviewing the Company's internal, financial, and risk management systems; reviewing the summary of all Internal Audit reports, and pursuing the implementation of the corrective measures in respect of the comments included in the Internal Audit report; overseeing the performance and activities of the Company's Internal Audit function to ensure the availability of the need resources and such function's effectiveness in undertaking the activities and duties assigned thereto; recommending to the Board the Director of the Internal Audit function and his remuneration; and ensuring the independence of the Internal Audit and enable it to perform its duties effectively;
- Auditor:
    - Providing recommendations to the Board to nominate auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts; verifying the independence, objectivity, and fairness of the auditor and effectiveness of the audit activities, taking into account the relevant rules and standards; reviewing the plan of the Company's auditor and its activities, and ensuring that it does not provide any technical or administrative services beyond its scope of work, and providing its opinion thereon; responding to queries of the Company's auditor; and reviewing the auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith; and

- Compliance:
    - Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith; ensuring the Company's compliance with the relevant laws, regulations, policies and instructions; reviewing the contracts and proposed Related Party transactions, and providing recommendations to the Board in connection therewith; reporting to the Board any issues, as it deems necessary, to take action thereon, and providing recommendations as to the steps that should be taken; reviewing the effectiveness of the Company's monitoring system and procedures of the information system; ensuring the effectiveness and adequacy of the Company's management information systems and other information technology systems; ensuring that the Company's established the proper general framework and appropriate policies to manage the risks at the Company, aligning the risk management activities with the Company's objectives and policies; periodically reviewing and evaluating the risks of the main activities; and reviewing any legal claims made for, or on behalf of, the Company and their recoverability.

The Audit Committee consists of three (3) to five (5) members, appointed by a resolution of the Company's Assembly for a term equal to the membership term of the Board. The members of the Audit Committee shall be from the shareholders or others, provided that at least one of its members is an Independent Director, one is specialized in finance and accounting, and that none is an Executive Director. The appointment resolution shall set out the Audit Committee's Chairman, functions, and remuneration of the members. The Board shall take the necessary measures to enable the Audit Committee to carry out its functions, including informing the Audit Committee, without any restrictions, of all data, information, reports, records, correspondences or other matters which the Audit Committee deems necessary.

The following members of the Audit Committee were appointed during the Ordinary General Assembly meeting held on 22/12/1442H (corresponding to 01/08/2021G):

Table (5-4): Audit Committee Members

	Name	Title
1	Abdulrahman bin Abdullah bin Saleh Al-Wabel	Chairman - non-executive / independent
2	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal	Member - non-executive / non-independent
3	Dr. Jassim bin Shaheen bin Hamad Al-Rumaihi	Member - non executive / independent / from outside the board
4	Mohammed bin Irfan Khokhar Abdulkhafor	Member - non executive / independent / from outside the board

Source: the Company

The following is a brief overview of the members of the Audit Committee:

5.2.2.1 Abdulrahman bin Abdullah bin Saleh Al-Wabel

Please refer to Abdulrahman bin Abdullah bin Saleh bin Abdullah bin Saleh Al-Wabel's overview under Section 5.1.3.8.

5.2.2.2 Abdulrahman bin Ibrahim bin Abdulrahman Aljalal

Please refer to Abdulrahman bin Ibrahim bin Abdulrahman Aljalal's overview under Section 5.1.3.4.

5.2.2.3 Dr. Jassim bin Shaheen bin Hamad Al-Rumaihi

Name:	Dr. Jassim bin Shaheen bin Hamad Al-Rumaihi
Age:	63 years
Nationality:	Saudi
Current Position:	Audit Committee member
Appointment Date:	01/08/2021G
Academic Qualifications:	• Bachelor of Science in Accounting from King Saud University in Riyadh, 1984. • Master's degree in accounting from the University of Missouri in Kansas City, USA, 1989. • PhD in Accounting from the University of Dundee, UK, 1997. • Certified Trainer for Project Management Certificate from the International Association of Project Managers in London, 2017G. • Certified Strategic Planning Trainer Certificate from the Center for Simplified Strategic Planning, USA, 2017G. • Certificate on the Fundamentals of Risk Management (FoRM) from the Institute of Risk Management in London, 2018G. • Certificate in an overview of the basics of enterprise risk management from North Carolina State University, USA, 2018G. • Certificate in Certified Corporate Governance (CCGO) from the London School of Business and Finance, UK, 2018G. • Certificate in the board of directors program approved by the International Financial Institution, World Bank Group, from IFC - International Financial Corporation, 2018G.
Current Executive Positions:	• Since 2016G, independent financial and administrative consultant
Previous Executive Positions:	• From 2016G to 2017G, Regional Director at the Arab Open University branch, a university engaging in the education sector. • From 2014G to 2016G, CEO of Razen Knowledge, a holding company engaging in the management and organization of exhibitions and conferences. • From 2011G to 2013G, Head of Organizational Development and Administrative Affairs at Razen, a holding company engaging in the management and organization of exhibitions and conferences. • From 2008G to 2009G, CEO of Saudi Consolidated Contracting Co., a closed joint stock company engaging in the contracting sector. • From 2005G to 2007G, Head of Financial and Administrative Affairs at Faisal Al-Qahtani & Sons Trading and Contracting Co., a limited liability company engaging in the contracting sector. • From 2001G to 2005G, Head of the Accounting and Management Information Systems Department at King Fahd University of Petroleum and Minerals, a university engaging in the education sector.

Other Current Memberships:	• Since 2021G, Chairman of the Audit Committee at Knowledge Economic City, a listed joint stock company engaging in the real estate management and development sector. • Since 2017G, member of the Board of Directors of the Musharaka Real Estate Investment Trust (REIT) Fund, which is a closed joint-stock fund engaging in the finance sector. • Since 2018G, Independent Member of the IPO Musharaka Fund, a closed joint-stock fund engaging in the investment sector. • Since 2021G, member of the Audit Committee at Eastern Cement Company, a listed joint stock company engaging in the cement basic materials sector. • Since 2020G, member of the Audit Committee of Alujain Holding Corp., a listed joint stock company engaging in the basic materials sector. • Since 2021G, member of the Audit Committee of United Electronics Co., a listed joint stock company engaging in the luxury goods retail trade sector. • Since 2020G, member of the Audit Committee of Al Rajhi Ekhwan Group, a closed joint stock company engaging in the investment sector. • Since 2020G, member of the Audit Committee of Al-Ahsa Health Cluster, a closed joint stock company engaging in the health sector. • Since 2021G, member of the Audit Committee of Panda Retail Company, a closed joint stock company engaging in the retail trade sector. • Since 2020G, member of the Audit Committee of Asharqiya Development Company, a listed joint stock company engaging in the food production sector (basic consumer goods). • Since 2021G, member of the Audit Committee of Group Five Pipe Saudi Ltd Co., a closed joint stock company engaging in the pipeline industry. • Since 2021G, member of the Board of Directors and Chairman of the Audit Committee of Bin Yamani Group for Investment Holding Company, a closed joint stock company engaging in the building materials trade sector. • Since 2021G, Chairman of the Audit Committee at Raya Financing, a closed joint stock company engaging in the finance sector.
Other Previous Memberships:	N/A

5.2.2.4 Mohammed bin Irfan Khukhar Abdulkhafor

Name:	Mohammed ibn Irfan Khukhar Abdulkhafor
Age:	44 years
Nationality:	Pakistani
Current Position:	Audit Committee member
Appointment Date:	19/07/2020G
Academic Qualifications:	MBA degree from Oxford University, UK, 2020G.
Current Executive Positions:	• Since 2018G, Director of the Financial Department at Al Fozan Holding, a closed joint stock company engaging in the management of subsidiaries and investment companies.
Previous Executive Positions:	• From 2000G to 2010G, Audit Officer at Deloitte Touche (formerly known as Deloitte), a limited liability company, engaging in the field of professional services.
Other Current Memberships:	• Since 2020G, member of the Audit Committee of Retal Urban Development Company, a closed joint stock company engaging in real estate development.
Other Previous Memberships:	N/A

5.2.3 Executive Committee

The Executive Committee shall exercise all the powers vested therein, submit its reports to the Board, and keep direct channels of communication open therewith. The Executive Committee may not amend any resolution passed by the Board. The functions of the Committee under the relevant laws and regulations shall be as follows:

- Participating in, and supervising, the development of the Company's strategic plan, and submitting proposals put forward by the departments relating to the Company's vision and mission, strategic directions, goals and initiatives, and submitting the same to the Board for its approval;
- Reviewing the Company's general strategy and its effectiveness in achieving the intended goals;
- Examining strategic and main topics and projects of significant financial importance, and submitting the same to the Board for its approval;
- Periodically holding meetings with the executive management to review the progress of work and any obstacles and problems faced in this regard, as well as reviewing and discussing important information relating to the Company's activities;
- Setting standards for the performance of the Executive Management in line with the Company's investment strategy and objectives;
- Reviewing and evaluating the performance indicators of the Executive Management;
- Ensuring that the Executive Management operates in accordance with the policies approved by the Board;
- Reviewing the policies and procedures set by the Executive Management;
- Reviewing current achievements against set goals;
- Recommending the Company's organizational structure and Executive Management;
- Reviewing the corporate social responsibility initiatives and media plan, and submitting its recommendations to the Board;
- Reviewing the programs of community work initiatives and submitting its recommendations to the Board;
- Reviewing matters reported thereto by the CEO that fall under its competence and submitting its recommendations to the Board;
- Examining matters referred thereto by the Board, or such matters that have been assigned thereto;
- Undertaking any other functions assigned thereto by the Board; and
- Periodically submitting its oral or written reports and recommendations to the Board.

The Executive Committee consists of three (3) to five (5) members appointed by the Board of Directors for a period equal to the membership term of the Board.

The Board shall take the necessary measures to enable the Executive Committee to carry out its functions, including informing the Executive Committee, without any restrictions, of all data, information, reports, records, correspondences or other matters which the Executive Committee deems necessary.

The following members of the Executive Committee were appointed by the Board of Directors on 07/01/1443H (corresponding to 15/08/2021G).

Table (5-5): Executive Committee Members

	Name	Title
1	Abdullah bin Abdullatif bin Ahmed Al-Fozan	Chairman - non-executive / non-independent
2	Abdullah bin Faisal bin Abdulaziz Al-Braikan	Member - non-executive / non-independent
3	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal	Member - non-executive / non-independent
4	Abdullah bin Fahd bin Abdullah Al-Mulhim	Member - non-executive / non-independent / from outside the board
5	Mohammed bin Abdulaziz bin Ibrahim Al-Aqeel	Member - non-executive / non-independent / from outside the board

Source: the Company

The following is a brief overview of the members of the Executive Committee:

5.2.3.1 Abdullah bin Abdullatif bin Ahmed Al-Fozan

Please refer to Abdullah bin Abdullatif bin Ahmed Al-Fozan's overview under Section 5.1.3.1.

5.2.3.2 Abdullah bin Faisal bin Abdulaziz Al-Braikan

Please refer to Abdullah bin Faisal bin Abdulaziz Al-Braikan's overview under Section 5.1.3.6.

5.2.3.3 Abdulrahman bin Ibrahim bin Abdulrahman Aljalal

Please refer to Abdulrahman bin Ibrahim bin Abdulrahman Aljalal's overview under Section 5.1.3.4.

5.2.3.4 Abdullah bin Fahd bin Abdullah Al-Mulhim

Name:	Abdullah bin Fahd bin Abdullah Al-Mulhim
Age:	35 years
Nationality:	Saudi
Current Position:	Member of the Executive Committee
Appointment Date:	03/12/2020G
Academic Qualifications:	• Bachelor's degree in Business Science from McGill University, Canada, 2009G.
Current Executive Positions:	• Since 2015G, Investment Manager at Al Fozan Holding, a closed joint stock company engaging in the management of subsidiaries and investment.
Previous Executive Positions:	• From 2012G to 2015G, Senior Executive Director at Banque Saudi Fransi.
Other Current Memberships:	• Since 2020G, member of the Board of Directors of Nice Company, a closed joint stock company engaging in the management and investment sector. • Since 2020G, member of the Board of Directors of Khalifa Abdullah Al-Gosaibi Investment Co., a closed joint stock company engaging in the investment sector. • Since 2019G, member of the Board of Directors of Gulf Union Holding Company, a closed joint stock company engaging in the management sector. • Since 2020G, member of the Board of Directors of ARNON Plastic Industries Co. Ltd., a limited liability company engaging in the plastic industries sector.
Other Previous Memberships:	• From 2020G to 2021G, member of the Board of Directors of Retal Urban Development Company, a company engaging in the urban development sector.

5.2.3.5 Mohammed bin Abdulaziz bin Ibrahim Al-Aqeel

Please refer to Mohammed bin Abdulaziz bin Ibrahim Al-Aqeel's overview under Section 5.2.1.3

5.3 Senior Management

The Company's senior management is comprised of qualified Saudi and non-Saudi members with significant, local and international real estate expertise. The primary responsibility of the Chief Executive Officer is to manage the Company's business and supervise its performance in line with the objectives and guidance of the Board of Directors and shareholders.

The senior management team currently consists of seventeen (17) members, as set out in the table below:

Table (5-6): Senior Management Details

	Name	Position	Date of Appointment of Current Position	Nationality	Age	Number of Shares held Pre-Offering	Number of Shares Post-Offering	Indirect Ownership	
								Pre-Offering	Post-Offering
1.	Abdullah bin Faisal bin Abdulaziz Al-Braikan	Chief Executive Officer	01/04/2012G	Saudi	37	2,000,000	1,400,000	5,0%	3,5%
2.	Youssef bin Ibrahim bin Youssef Al-Hamoudi	Chief Operating Officer	01/05/2021G	Saudi	39	-	-	-	-
3.	Vacant*	Chief Commercial Officer	-	-	-	-	-	-	-
4	Vacant*	Strategic Planning Manager	-	-	-	-	-	-	-
5.	Walid bin Syed bin Ahmed Mohammed	Customer Relationship Supervisor	17/01/2021G	Egyptian	34	-	-	-	-
6.	Abdullah bin Abdulrahman bin Abdullah Al-Azzaz	Real Estate Director	03/11/2012G	Saudi	41	-	-	-	-
7.	Maen bin Sabah bin Abdulkareem Al-Badran	Sales & Marketing Director	11/07/2019G	Saudi	38	-	-	-	-
8.	Mohamed bin Khaled bin Ibrahim Al-Mohammedi	Business Development Director	23/07/2020G	Saudi	36	-	-	-	-
9.	Mustafa bin Mohammed bin Tawfiq Mohammed	Development Director	01/01/2017G	Egyptian	40	-	-	-	-
10.	Yasser bin Salaheddin bin Mohammed Ismail	Chief Financial Officer	22/08/2021G	Egyptian	45	-	-	-	-
11	Ahmed bin Nabil bin Munji Shabaka	Compliance Manager	25/04/2021G	Egyptian	43	-	-	-	-
12.	Shadi bin Ramzat bin Mohammed Shaib	Legal Department Director	01/11/2021G	Lebanon	43	-	-	-	-
13.	Abdullah bin Hamid bin Ahmed Salamah	Supply Chain Manager	01/07/2021G	Jordanian	46	-	-	-	-
14.	Abdullah bin Osama bin Abdullah Al-Saleh	Digital Transformation Director	16/08/2020G	Iraqi	38	-	-	-	-

	Name	Position	Date of Appointment of Current Position	Nationality	Age	Number of Shares held Pre-Offering	Number of Shares Post-Offering	Indirect Ownership	
								Pre-Offering	Post-Offering
15.	Mohammed bin Hamza bin Abbas Al-Awmi	HR Director	15/05/2016G	Saudi	39	-	-	-	-
16.	Ahmed bin Sami bin Ibrahim Al-Askar	Riyadh Region Head	01/10/2020G	Saudi	36	-	-	-	-
17.	Mahmoud bin Abdullah AlShammali Shams Deen	Internal Audit Director	01/08/2021G	Egyptian	37	-	-	-	-

Source: the Company

* The Company is actively searching for qualified and experienced individuals to serve as Chief Trade Officer and as Strategic Planning Manager. The said positions are expected to be filled during H2 2022G. Currently, The Chief Operating Officer is performing the functions of the Chief Trade Officer.

5.3.1 Biographies of Senior Executives

Below is an overview of the experiences, qualifications, current and previous positions of each member of senior management:

5.3.1.1 Abdullah bin Faisal bin Abdulaziz Al-Braikan

Please see Section 5.1.3.6 for more details regarding Abdullah bin Faisal bin Abdulaziz Al-Braikan's experiences, qualifications, and current and previous positions.

5.3.1.2 Youssef bin Ibrahim bin Youssef Al-Hamoudi

Name:	Youssef bin Ibrahim bin Youssef Al-Hamoudi
Age:	39 years
Nationality:	Saudi
Current Position:	Chief Operating Officer
Appointment Date:	01/05/2021G
Academic Qualifications:	• Master's degree in building sciences and technology from the University of Dammam, 2009G. • Bachelor's degree in Architecture from King Faisal University in Dammam, 2005.
Current Executive Positions:	• Since 2019G, Chief Operating Officer of Retal Urban Development Company.
Previous Executive Positions:	• From 2019G to 2021G, General Manager of Building Construction Company, a limited liability company engaging in the construction sector. • From 2014G to 2019G, Deputy General Manager of Retal Urban Development Company, a closed joint stock company engaging in the real estate sector. • From 2010G to 2014G, Head of the Home Ownership Project Team at SATORP, Saudi Aramco Total Refining and Petrochemical Company, a limited liability company engaging in the petroleum derivatives sector. • From 2008G to 2010G, Director of Development and Projects at Dhahran Emaar Company, a closed joint stock company engaging in the real estate sector. • From 2005G to 2008G, Architect at Al-Oula Real Estate Development Company, a closed joint stock company engaging in the real estate development sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.3 Walid bin Syed bin Ahmed Mohammed

Name:	Walid bin Syed bin Ahmed Mohammed
Age:	34 years
Nationality:	Egyptian
Current Position:	Customer Relationship Supervisor
Appointment Date:	17/01/2021G
Academic Qualifications:	• Bachelor's degree in Tourism from Helwan University, Egypt, 2008G.
Current Executive Positions:	• Since June 2021G, Customer Relationship Manager at Retal Urban Development Company, engaging in real estate development sector.
Previous Executive Positions:	• From 2017G to 2020G, Director of Customer Relations at DAMAC Properties Company, a public joint stock company in UAE engaging in the real estate sector. • From 2013G to 2016G, President of Customer Relations team at AlFuttaim Group, a public joint stock company in UAE engaging in diversified sectors such as real estate, cars and insurance.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.4 Mustafa bin Mohammed bin Tawfiq Mohammed

Name:	Mustafa bin Mohammed bin Tawfiq Mohammed
Age:	40 years
Nationality:	Egyptian
Current Position:	Director of Development Department
Appointment Date:	01/01/2017G
Academic Qualifications:	• Bachelor's degree in Architecture from the Faculty of Architecture, Helwan University, Egypt, 2003G.
Current Executive Positions:	• Since June 2017G, Director of the Development Department at Retal Urban Development Company.
Previous Executive Positions:	• From 2007G to 2014G, Director of Development at DGM Mountain View Real Estate Development, a closed joint stock company in Egypt engaging in the real estate sector. • From 2005G to 2007G, Assistant Director of the Marble and Granite Department at Kabesh Construction Group, a limited liability company in Egypt engaging in the construction sector. • From 2004G to 2005G, Architect at Himalaya Natural Stone Factory, a limited liability company in Egypt engaging in the industrial sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.5 Yasser bin Salaheddin bin Mohammed Ismail

Name:	Yasser bin Salaheddin bin Mohammed Ismail
Age:	45 years
Nationality:	Egyptian
Current Position:	Chief Financial Officer
Appointment Date:	22/08/2021G
Academic Qualifications:	• Bachelor's degree in accounting from Cairo University in the Egyptian Arabic Republic, 1999G. • MBA in Global Finance from Paris School of Business, France 2016G.
Current Executive Positions:	• Since 2021G, Chief Financial Officer of Retal for Urban Development Company in Egypt engaging in the real estate development sector.
Previous Executive Positions:	• From 2010G to 2021G, Head of the Financial Department in Hassan Allam Holding, a joint-stock company in Egypt engaging in the real estate sector. • From 2007G to 2010G, Financial Director in DAMAC Properties Company, a public joint-stock company in Egypt engaging in the real estate sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.6 Mohamed bin Khaled bin Ibrahim Al-Mohammedi

Name:	Mohamed bin Khaled bin Ibrahim Al-Mohammedi
Age:	36 years
Nationality:	Saudi
Current Position:	Business Development Director
Appointment Date:	23/07/2020G
Academic Qualifications:	• Bachelor's degree from the College of Architecture and Planning, Department of Landscape Architecture, King Faisal University, 2008. • Master's degree from California State Polytechnic University Pomona, USA, College of Environmental Design, Urban Planning and Design Policies, 2016G.
Current Executive Positions:	• Since 2020G, Director of Business Development at Retal for Urban Development.
Previous Executive Positions:	• From 2015G to 2020G, Founder and Consultant of Run In Sport, a sole proprietorship accredited for international sports brands and engaging in the retail sector. • From 2014G to 2015G, Landscape Architect in the municipality of Irvine, USA, which is engaging in the beaches and parks management sector. • From 2009G to 2020G, Lecturer at Imam Abdulrahman bin Faisal University in the College of Architecture and Planning in the Department of Landscape Architecture, a public university engaging in the education sector.
Other Current Memberships:	• Member of the Executive Council of Young Businessmen in Asharqia Chamber.
Other Previous Memberships:	N/A

5.3.1.7 Mohammed bin Hamza bin Abbas Al-Awmi

Name:	Mohammed bin Hamza bin Abbas AlOumi
Age:	39 years
Nationality:	Saudi
Current Position:	Director of Human Resources Department
Appointment Date:	15/5/2016G
Academic Qualifications:	• Bachelor's degree in Information Systems Management from King Faisal University, 2007. • Master's degree in Business Administration from Cleveland State University, 2011G. • Assoc. CIPD certificate, 2020G.
Current Executive Positions:	• Since 2016G, Director of Human Resources Department at Retal for Urban Development Company.
Previous Executive Positions:	• From 2011G to 2016G, Director of Personnel Affairs at Al Fozan Holding Company, a closed joint stock company engaging in the investment sector. • From 2007G to 2008G, Human Resources Assistant at Prince Mohammed bin Musaed University, which is engaging in the education sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.8 Abdullah bin Osama bin Abdullah Al-Saleh

Name:	Abdullah bin Osama bin Abdullah Al-Saleh
Age:	38 years
Nationality:	Iraqi
Current Position:	Digital Transformation Director
Appointment Date:	16/08/2020G
Academic Qualifications:	• Bachelor's degree in Information Systems Engineering from the University of Basra in Iraq, 2005,
Current Executive Positions:	• Since 2020G, Director of the Digital Transformation Department at Retal for Urban Development Company.
Previous Executive Positions:	• From 2009G to 2020G, Head of the Information Office at SRACO, a limited liability company engaging in the maintenance and operation sector. • From 2007 to 2009G, Director of Information Technology at Al Muhaidib Contracting Company, a limited liability company engaging in the construction sector. • From 2002 to 2007, Network Engineer at Al Asas Information Technology, a sole proprietorship engaging in the information systems sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.9 Abdullah bin Hamid bin Ahmed Salamah

Name:	Abdullah bin Hamid bin Ahmed Salamah
Age:	46 years
Nationality:	Jordanian
Current Position:	Supply Chain Manager
Appointment Date:	01/07/2021G
Academic Qualifications:	• Bachelor's degree in Architecture from Al-Israa Private University in Jordan, 1999.
Current Executive Positions:	• Since 2020G, Supply Chain Manager at Building Construction Co., Ltd. • Since 2021G, Supply Chain Manager at Retal for Urban Development engaging in the real estate sector.
Previous Executive Positions:	• From 2016G to 2020G, Purchasing Manager at Fawaz Al Hokair Real Estate Company, a limited liability company engaging in the real estate sector. • From 2011G to 2016G, Project Procurement Manager at Drake & Scull Saudi Construction Company, a public joint stock company engaging in the construction sector. • From 2007 to 2011G, Materials Engineer at Saudi Oger Co. Ltd., a limited liability company engaging in the construction sector. • From 2004 until 2007, Architect at Al-Latifia Trading and Contracting Company, a limited liability company engaging in the construction sector. • From 2000 to 2004, Procurement Engineer at Diyar Najd Foundation for Heritage and Antiquities, an institution engaging in the construction sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.10 Abdullah bin Abdulrahman bin Abdullah Al-Azzaz

Name:	Abdullah bin Abdulrahman bin Abdullah Al-Azzaz
Age:	41 years
Nationality:	Saudi
Current Position:	Director of Real Estate Department
Appointment Date:	03/11/2012G
Academic Qualifications:	• Certificate of Secondary Commercial Institute in Administration and Secretariat in Al-Khobar, 2000.
Current Executive Positions:	• Since 2012G, Director of Real Estate Department at Retal for Urban Development Company.
Previous Executive Positions:	• From 2010G to 2012G, Director of Sales and Executive Vice President at Al Ruwad Real Estate Company, a limited liability company engaging in the real estate sector. • From 2009G to 2009G, Acting General Manager at Al-Kifah Holding Company for Developers, a limited liability company engaging in the real estate sector. • From 2004G to 2007G, Personal Financial Planning Advisor in the Investment Department of Riyad Bank, a public joint stock company engaging in the banking sector. • From 1997G to 2004G, Customer Service Representative at King Fahd University of Petroleum and Minerals, which is engaging in the government sector and is affiliated with the Ministry of Education.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.11 Maen bin Sabah bin Abdulkareem Al-Badran

Name:	Maen bin Sabah bin Abdulkareem Al-Badran
Age:	38 years
Nationality:	Saudi
Current Position:	Director of Sales and Marketing Department
Appointment Date:	11/07/2019G
Academic Qualifications:	• Bachelor's degree in Business Administration from King Faisal University in Al-Khobar, 2013G. • Diploma in computer networks and systems from Alkhaleej Training and Education, 2004.
Current Executive Positions:	• Since 2019G, Director of Sales and Marketing Department at Retal for Urban Development Company.
Previous Executive Positions:	• From 2013G to 2019G, Main Account Manager at Saudi Telecom Company, a public joint stock company, engaging in the telecommunications sector. • From 2008 to 2012G, Director of regional distribution sales at Zain Communications Company, a public joint stock company engaging in the telecommunications sector. • From 2008 to 2008, Customer Service Representative at Banque Saudi Fransi, a public joint stock company engaging in the banking sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.12 Ahmed bin Nabil bin Munji Shabaka

Name:	Ahmed bin Nabil bin Munji Shabaka
Age:	43 years
Nationality:	Egyptian
Current Position:	Compliance Manager
Appointment Date:	21/04/2021G
Academic Qualifications:	• Bachelor's degree in accounting from Mansoura University in Egypt, 2001G.
Current Executive Positions:	• Since 2021G, Director of Risk and Compliance Department at Retal for Urban Development Company
Previous Executive Positions:	• From 2020G to 2021G, CEO at RSM, a limited liability company engaging in the consulting and business sector. • From 2012G to 2020G, Head of Risk and Compliance at Baitek Real Estate Company, a limited liability company engaging in the real estate sector. • From 2010G to 2011G, Chief Internal Auditor at PricewaterhouseCoopers, a limited liability company engaging in the professional services sector. • From 2008 to 2009G, Chief Internal Auditor at Al Arrab Contracting Company, a closed joint stock company engaging in the contracting sector. • From 2005 to 2008, Internal Auditor at Badran Group, a limited liability company engaging in the investment sector. • From 2003 to 2005, Accountant at Alnuzl Special Hotel /Private Office of Prince Abdulrahman Al-Sudairy, a limited liability company engaging in the tourism sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.13 Shadi bin Ramzat bin Mohammed Shaib

Name:	Shadi bin Ramzat bin Mohammed Shaib
Age:	43 years
Nationality:	Lebanese
Current Position:	Legal Department Manager
Appointment Date:	01/11/2021G
Academic Qualifications:	• Bachelor's degree in Law from the Lebanese University in Lebanon, 2002G. • Master's degree in International Law from Cumbria University in the United Kingdom, 2018G.
Current Executive Positions:	• Since 2021G, Legal Director in Retal for Urban Development.
Previous Executive Positions:	• From 2011G to 2015G, Legal Consultant in Al Yusr Industrial Contracting Company (AYTB), a joint-stock company engaging in the petrol and gas sector.
Other Current Memberships:	N/A
Other Previous Memberships:	N/A

5.3.1.14 Mahmoud bin Abdullah AlShammali Shams Deen

Name:	Mahmoud bin Abdullah AlShammali Shams Deen
Age:	37 years
Nationality:	Egyptian
Current Position:	Head of the Internal Audit Department
Appointment Date:	01/08/2021G
Academic Qualifications:	• Consultant in Risk Management Assurance (CRMA) Certificate from the Institute of Internal Auditors in the United States of America, 2021G. • Certificate of "**IFSAH**" in the Governance of Listed Companies from the Capital Market Authority and the Central Bank of Saudi Arabia, 2021G. • Internal Control Auditor (CICA) Certificate from the Institute of Internal Control in the United States of America, 2015G. • Bachelor's degree in Commerce with a major in Accounting from Alexandria University in the Arab Republic of Egypt, 2007G.
Current Executive Positions:	• Since 2021G, Head of Internal Audit Department in Retal for Urban Development. • Since 2021G, Secretary of the Audit Committee in Retal for Urban Development.
Previous Executive Positions:	• From 2015G to 2021G, Chief Audit Executive in addition to the secretariat of the Board of Directors and the Audit Committee in Naseej Global Trading Company, a listed joint-stock company, engaging in the industrial, trading, manufacturing and operating sectors. • From 2009G to 2015G, Acting Assistant Manager at PricewaterhouseCoopers (PWC), a professional company, engaging in the audit services sector. • From 2008G to 2009G, Auditor of Main Accounts in Ernst & Young (EY), a professional company, engaging in the audit services sector. • From 2008G to 2008G, Management Analyst at Mercedes-Benz Egypt, a joint stock company, engaging in the automobile sector. • From 2007G to 2008G, Technical Analyst at Pharaonic Securities Brokerage Company, a limited liability company, operating in the financial brokerage sector.
Other Current Memberships:	• Since 2010G, Founding Partner of the Arab Creativity Training and Consulting Company, a limited liability company, engaging in the training and consulting sector.
Other Previous Memberships:	N/A

5.3.1.15 Ahmed bin Sami Ibrahim Al-Askar

Name:	Ahmed bin Sami Ibrahim Al-Askar
Age:	36 years
Nationality:	Saudi
Current Position:	Head of Riyadh Province Administration
Appointment Date:	01/10/2020G
Academic Qualifications:	• Bachelor's degree in Architecture from the University of Dammam, 2009G
Current Executive Positions:	• Since 2020G, Head of the Riyadh province in Retal for Structural Development Company, a closed joint stock company engaging in the real estate development sector.
Previous Executive Positions:	• From 2018G to 2020G, Director of real estate operations at Derayah Financial, a closed joint stock company engaging in the investment advice and products sector. • From 2012G to 2018G, Business Development Manager at Raj Real Estate Company, a limited liability company engaging in the real estate sector. • From 2010G to 2012G, Architect at Dar Al Handasah, a limited liability company engaging in the engineering consultancy sector.
Other Current Memberships:	• Member of the Saudi Council of Engineers with a professional degree valid until 2024G
Other Previous Memberships:	N/A

5.3.2 Employment Contracts with Senior Executives

The Company concluded employment contracts with all the senior management members of the Company. These contracts stipulate their salaries and bonuses according to their qualifications and experience, and include a number of benefits such as a monthly transportation allowance, housing allowance, or both. These contracts are renewable and subject to the Saudi Labor Law.

In 2012G, Abdullah Faisal bin Abdulaziz Al-Braikan became the Company's Chief Executive Officer. An employment contract was concluded between him and the Company. The Chief Executive Officer is responsible for the financial and operational performance of the Company in general, the development and implementation of the Company's strategy, and the implementation of the Company's Board approved annual business plan.

In 2021G, Yasser Bin Salaheddin bin Mohammed Ismail became the Company's Chief Financial Officer. A contract was concluded between him and the Company. The Chief Financial Officer is responsible for assisting senior management in shaping goals, charting strategic plans and public policies, participating in decisions that concern the Company as a whole, providing suggestions for the development of financial and structural organization of the Company, and preparing the draft annual budget of the Company.

The table below briefly describes the employment contracts in question.

Table (5-7): Summary of Employment Contracts with Senior Executives

	Name	Position	Contract Date	Contract Termination Date
1.	Abdullah bin Faisal bin Abdulaziz Al-Braikan	Chief Executive Officer	01/04/2012G	One Gregorian year Automatically renewed
2.	Youssef bin Ibrahim bin Youssef Al-Hamoudi	Chief Operating Officer	01/05/2021G	One Gregorian year Automatically renewed
3.	Vacant	Chief Trade Officer	-	-
4.	Vacant	Strategic Planning Manager	-	-
5.	Walid bin Syed bin Ahmed Mohammed	Customer Relationship Supervisor	17/01/2021G	One Gregorian year Automatically renewed
6.	Abdullah bin Abdulrahman bin Abdullah Al-Azzaz	Real Estate Director	03/11/2012G	Indefinite
7.	Maen bin Sabah bin Abdulkareem Al-Badran	Sales & Marketing Director	11/07/2019G	One Gregorian year Automatically renewed
8.	Mohamed bin Khaled bin Ibrahim Al-Mohammedi	Business Development Director	23/07/2020G	One Gregorian year Automatically renewed
9.	Mustafa bin Mohammed bin Tawfiq Mohammed	Development Director	01/01/2017G	One Gregorian year Automatically renewed
10.	Ahmed bin Nabil bin Munji Shabaka	Compliance Manager	01/11/2021G	One Gregorian year Automatically renewed
11.	Yasser bin Salaheddin bin Mohammed Ismail	Chief Financial Officer	22/08/2021G	One Gregorian year Automatically renewed
12.	Shadi bin Ramzat bin Mohammed Shaib	Legal Department Director	25/04/2021G	One Gregorian year Automatically renewed
13.	Abdullah bin Hamid bin Ahmed Salamah	Supply Chain Manager	01/07/2021G	One Gregorian year Automatically renewed
14.	Abdullah bin Osama bin Abdullah Al-Saleh	Digital Transformation Director	16/08/2020G	One Gregorian year Automatically renewed
15.	Mohammed bin Hamza bin Abbas Al-Awmi	HR Director	15/05/2016G	Indefinite
16.	Ahmed bin Sami bin Ibrahim Al-Askar	Riyadh Region Head	01/10/2020G	One Gregorian year Automatically renewed
17.	Mahmoud bin Abdullah AlShammali Shams Deen	Internal Audit Director	01/08/2021G	Two Gregorian years, renewed by written notice thirty (30) days prior to the contract's expiry

5.4 Remuneration of Directors and Senior Executives

Subject to the Company's Bylaws, remunerations of the Board of Directors shall be determined in accordance with the official decisions and instructions issued by the MOC in this context, and within the provisions of the Companies Law and any other relevant supplementary laws, as well as the Bylaws of the Company. The attendance and transportation allowances shall be determined by the Board according to the applicable laws, decisions and directions identified by the competent entities in the Kingdom.

Subject to the Company's Bylaws, the remuneration of Board Directors shall be determined in accordance with the Bylaws as well as the provisions of the Companies Law and its implementing regulations. The Board of Directors' report, which is circulated to the Ordinary General Assembly, must include a comprehensive statement of all the remunerations, allowances, and other benefits that the members of the Board of Directors have obtained during the relevant fiscal year. Additionally, the report must include a statement of what the members of the Board received in their capacity as employees or administrators, or what they received in return for any technical, administrative or consultative work, as well as a statement of the number of Board sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.

No in-kind benefits have been paid to the Board members and Senior Management. The following table shows the remunerations of the Board of Directors, Board Committees, and the top five Senior Executives for the financial years ended 31 December 2018G, 2019G and 2020G, and for the six months ended 30 September 2021G.

Table (5-8): Remuneration Paid to Directors and Senior Executives

In SAR	2018G	2019G	2020G	31 September 2021G
Board of Directors	-	-	300,000	-
Audit Committee	-	-	-	-
Nomination and Remuneration Committee	-	-	-	-
Executive Committee	-	-	-	-
Senior Executives*	2,207,344	269,728	4,429,678	1,071,150

Source: Company

* Top five senior executives (including the CEO and the CFO) who received the highest rewards and compensation from the Company.

5.5 Corporate Governance

5.5.1 Overview

The key sources of corporate governance for the Company are the Corporate Governance Regulations issued by the CMA, certain provisions of the Companies Law and corporate governance best practices in the Kingdom.

The framework under the Corporate Governance Regulations regulates the various relationships between the Board, Executive Directors, shareholders and other stakeholders, by establishing rules and procedures to facilitate decision making processes with the objective of protecting the rights of shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency in the Company's conduct on the Exchange and in the business environment.

These regulations, which entail the implementation of a clear and transparent disclosure process, ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations.

The Company's policy is to adopt high standards of corporate governance. The Corporate Governance Regulations shall apply to the Company from the date of Listing. However, the Company is currently complying with the majority of the Corporate Governance Regulations and will fully comply with the Corporate Governance Regulations from the date of Listing. The Company considers ongoing compliance with these regulations to be an important factor in its continued success.

5.5.2 Key Corporate Governance Requirements

The key corporate governance requirements that the Company complies, and will comply, with are set out in the Corporate Governance Regulations. These cover the following broad areas:

- General shareholder rights (Articles 4 to 9);
- Rights relating to general assembly meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 41);
- Conflicts of interest (Articles 42 to 49);
- Company Committees (Articles 50 to 72); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 73 to 98).

5.5.3 Corporate Governance Manual and Internal Policies

As part of the preparations for the Company to become a public listed company, the General Assembly approved the Company's Corporate Governance Manual on 22/12/1442H (corresponding to 01/08/2021G).

The Company's Corporate Governance Manual includes the following internal policies and charters:

- General Rights of Shareholders and General Assembly Policies (Part 2);
- Board Membership Policies, Standards and Procedures (Part 3);
- Company Committees (Part 4);
- Auditor (Part 5);
- Dividend Distribution Policy (Part 6);
- Ethics and Ways of Managing the Company (Part 7);
- Disclosure and Transparency Policies (Part 8);
- Conflict of Interest Policy and Competition Standards (Part 9);
- Internal Control Regulations (Part 10);
- Remuneration Policies for members of the Board of Directors, Board Committees, and the Executive Management (Part 11); and
- Retaining of Documents (Part 12).

5.5.4 Corporate Governance Compliance

The Board of Directors declares that the Company is currently complying with the majority of the Corporate Governance Regulations and will fully comply with the Corporate Governance Regulations from the date of Listing.

The majority of the Company's Board of Directors, which currently consists of nine (9) Directors, are non-executive members, and amongst the Board members are three (3) independent Directors. In addition, the Shareholders adopted the cumulative voting method in relation to the appointment of Directors at the Conversion General Assembly meeting held on 28/11/1441H (corresponding to 19/07/2020G). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he holds. Each Shareholder has the right to use all of his voting rights for one nominee or to divide their voting rights between his selected nominees without any duplication of votes. This method increases the chances of minority shareholders appointing their representatives to the Board by exercising their cumulative voting rights in favor of a single candidate.

In compliance with the Corporate Governance Regulations, the Ordinary General Assembly of the Company formed the Audit Committee, consisting of three (3) non-executive members, on 28/11/1441H (corresponding to 19/07/2020G), and the Board of Directors formed the Nomination and Remuneration Committee on 18/04/1442H (corresponding to 03/12/2020G) and the Executive Committee on 18/04/1442H (corresponding to 03/12/2020G). The Company has also prepared its Committee charters, which were approved by the Board in its session held on 18/01/1442H (corresponding to 06/09/2020G), and recommended to the General Assembly for ratification. The Extraordinary General Assembly ratified the Committee charters during its session held on 22/12/1442H (corresponding to 01/08/2021G).

Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing interests (Articles 71, 72 and 73 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations). The Company has obtained the approval of the General Assembly for Related Party transactions described in Section 12.8 ("**Transactions and Contracts with Related Parties**").

Pursuant to the Corporate Governance Regulations, each board member is prohibited from voting on a decision taken by the Board or the General Assembly regarding transactions and contracts that are executed for the Company's account, if such member has a direct or indirect interest in those transactions or contracts (Article 44(b)(1)). The Companies Law sets out similar requirements to the effect that a Director, without prior consent from the Ordinary General Assembly, may not have any direct or indirect interest in transactions or contracts made for the account of the Company. The Director also has an obligation to inform the Board of Directors of any personal interest he may have in such transactions or contracts and may not participate in voting on resolutions to be adopted in this respect by the Board of Directors or shareholder assemblies. The Chairman of the Board of Directors must inform the General Assembly of any transactions and contracts in which any Director has a direct or indirect personal interest and accompany that with a special report from the company's external auditor (Article 71).

The Corporate Governance Regulations also provide that if a member of the Board wishes to engage in a business that may compete with the Company or any of its activities, he must notify the Board of the competing businesses and abstain from voting on the related decision in the Board meeting and General Assemblies; the Chairman of the Board must inform the Ordinary General Assembly of the competing businesses that the member of the Board proposes to be engaged in; and the authorization of the Company's General Assembly must be obtained for the member to engage in the competing business. The Companies Law sets out similar requirements (Article 72).

The Company currently complies with the mandatory governance requirements that apply to Saudi public joint stock companies, excluding some provisions mandatory only with respect to listed companies, which the Company is not currently in compliance as the Company's shares are not currently Listed on the Exchange, as follows:

- Paragraph (a) of Article 8 providing that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board.
- Paragraph (c) of Article 8 providing that voting in the General Assembly shall be limited to the Board nominees whose information have been announced as per Paragraph (a) of Article 8.
- Paragraph (d) of Article 13 providing that the invitation to the General Assembly shall be published on the Exchange's and the Company's websites, as well as in a daily newspaper published in the area where the Company's head office is located.
- Paragraph (c) of Article 14 providing that the shareholders shall be allowed through the Company's and the Exchange's websites to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements, and the Audit Committee's Report.
- Paragraph (e) of Article 15 providing that the Company shall announce to the public and inform the CMA and the Exchange of the results of a General Assembly meeting immediately following its conclusion.
- Paragraph (d) of Article 17 providing that the Company shall notify the CMA of the names of the Board members and description of their memberships, as well as any changes that may affect their membership, within 5 business days from such changes.
- Paragraph (b) of Article 19 providing that upon the termination of the membership of a Board member, the Company shall promptly notify the CMA and the Exchange and shall specify the reasons for such termination.
- Paragraphs (a) and (b) of Article 57 providing that the audit committee shall convene periodically, provided that at least four meetings are held during the Company's financial year, and shall convene periodically with the Company's external auditor and internal auditor, if any.
- Article 68 providing that the Company shall publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

5.6 Conflict of Interest

Neither the Company's Bylaws nor any of the Company's internal regulations and policies grant any Director or the CEO the power to vote on any contract or proposal in which he has a direct or indirect interest, in accordance with Article 71 of the Companies Law, which states that a member of the board of directors shall not have any interest whether directly or indirectly, in the transactions or contracts made for the account of the company, except with an authorization from the Ordinary General Assembly.

Pursuant to Article 71 of the Companies Law, a member must inform the Board of Directors of any personal interest he may have in the transactions or contracts made for the account of the Company. The Chairman of the Board of Directors shall inform the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any member has an interest. Such communication shall be accompanied by a special report from the auditor and shall be recorded in the minutes of the Board meeting. The interested member shall not participate in voting on the resolution to be adopted in this respect.

Based on the foregoing, the Directors undertake to comply with the following:

- Complying with the provisions of Articles 71, 72, 73, 74, and 75 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations;
- Refraining from voting on General Assembly resolutions pertaining to contracts entered into with the Company where the Director has a direct or indirect interest in such contract;
- Avoiding participating in any business that competes with that of the Company, unless such member has obtained an authorization from the Ordinary General Assembly; and
- All Related Party transactions will be made on an arm's length basis in accordance with the terms of the Corporate Governance Regulations.

As of the date of this Prospectus, none of the Directors or the Senior Executives was a party to any agreement, arrangement, or understanding under which he is subject to an obligation precluding him from competing with the Company or any of its activities. However, the engagement of any Director in activities competing with the Group's, under Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law, subject to obtaining the approval of the General Assembly.

The following table shows the direct and indirect interests of the Directors.

Table (5-9): Direct and indirect interest of Senior Executives and Directors

Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Shareholder	Director/ Manager	
Abdullah bin Abdullatif bin Ahmed Al-Fozan	Shareholder in Retal Urban Development Company that owns 100% of Nesaj Urban Development Company.	Nesaj Urban Development Company	Indirect (12% stake)	Shareholder	Not Applicable	Management of construction projects.
	Shareholder in Retal Urban Development Company that owns 100% of Tadbeir Real Estate Company Limited.	Tadbeir Real Estate Company Limited	Indirect (12% stake)	Shareholder	Not Applicable	Buying, selling and subdividing land and real estate, off-plan sales activities, management and leasing of owned or leased properties (residential), management and leasing of owned or leased properties (non-residential), real estate brokerage (brokers' offices), real estate management activities for a commission, and sale of fixed and movable assets.
	Shareholder in Retal Urban Development Company that owns 95% of Tadbeir Limited Company.	Tadbeir Limited Company	Indirect (11.7% stake)	Shareholder	Not Applicable	General cleaning of buildings.
	Shareholder in Retal Urban Development Company that owns 95% of Building Construction Company Limited, and a shareholder in Nesaj Urban Development Company that owns 5% of Building Construction Company Limited.	Building Construction Company Limited	Indirect (12% stake)	Shareholder	Not Applicable	General construction of residential buildings, general construction of non-residential buildings (including schools, hospitals, hotels, etc.), general construction of government buildings, electrical wiring, communication wiring, and building finishing.
	Shareholder in AlMaali Holding Company that owns 50% of Abdullatif and Mohammed AlFozan which owns 60% from AlFozan Holding Company, and a 10% shareholder in AlFozan Holding Company.	AlFozan Holding Company	Direct (10% stake) Indirect (3% stake)	Shareholder	Chairman of the Board of Directors	Management of the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables of holding companies, and providing loans, guarantees and financing for holding companies.

Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Shareholder	Director/ Manager	
	Shareholder in AlMaali Holding Company that owns 60% of Al Saham Holding Company.	AlSaham Holding Company	Indirect (6% stake)	Shareholder	Not Applicable	Managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies.
	Shareholder in Retal Urban Development Company that owns 50% of Remal Al Khobar Real Estate Company.	Remal Al Khobar Real Estate Company	Indirect (6% stake)	Shareholder	Chairman of the Board of Directors	General construction of residential buildings and non-residential buildings (including schools, hospitals, hotels, etc.).
	Shareholder in AlMaali Holding Company that owns 60% of Athman Holding Company.	Athman Holding Company	Indirect (6% stake)	Shareholder	Not Applicable	Managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary properties and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies.
	Shareholder in Al Maali Holding Company that owns 60% of Gheras Holding Company.	Gheras Holding Company	Indirect (6% stake)	Shareholder	Not Applicable	Managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies.
	Shareholder in Maali Al Khaleej Trading Company with a 25% stake.	Maali Al Khaleej Trading Company	Direct (25% stake)	Shareholder	Manager	Retail sale of metal hardware, carpentry and blacksmith tools and equipment, retail sale of electrical tools and installations

Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Shareholder	Director/ Manager	
Ali bin Abdullatif bin Ahmed AlFozan	Shareholder in Retal Urban Development Company that owns 100% of Nesaj Urban Development Company.	Nesaj Urban Development Company	Indirect (12% stake)	Shareholder	Not Applicable	Management of construction projects.
	Shareholder in Retal Urban Development Company that owns 100% of Tadbeir Real Estate Company Limited.	Tadbeir Real Estate Company Limited	Indirect (12% stake)	Shareholder	Not Applicable	Buying, selling and subdividing land and real estate, off-plan sales activities, management and leasing of owned or leased properties (residential), management and leasing of owned or leased properties (non-residential), real estate brokerage (brokers' offices), real estate management activities for a commission, and sale of fixed and movable assets.
	Shareholder in Retal Urban Development Company that owns 95% of Tadbeir Limited Company.	Tadbeir Limited Company	Indirect (11.7% stake)	Shareholder	Not Applicable	General cleaning of buildings.
	Shareholder in Retal Urban Development Company that owns 95% of Building Construction Company Limited, and a shareholder in Nesaj Urban Development Company that owns 5% of Building Construction Company Limited.	Building Construction Company Limited	Indirect (12% stake)	Shareholder	Not Applicable	General construction of residential buildings, general construction of non-residential buildings (including schools, hospitals, hotels, etc.), general construction of government buildings, electrical wiring, communication wiring, and building finishing.
	Shareholder in AlMaali Holding Company that owns 50% of Abdullatif and Mohammed AlFozan which owns 60% from AlFozan Holding Company, and a 10% shareholder in AlFozan Holding Company.	AlFozan Holding Company	Direct (10% stake) Indirect (3% stake)	Shareholder	Member of the Board of Directors	Management of the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables of holding companies, and providing loans, guarantees and financing for holding companies.

Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Shareholder	Director/ Manager	
	Shareholder in AlMaali Holding Company that owns 60% of Al Saham Holding Company.	AlSaham Holding Company	Indirect (6% stake)	Shareholder	Not Applicable	Managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies.
	Shareholder in AlMaali Holding Company that owns 60% of Athman Holding Company.	Athman Holding Company	Indirect (6% stake)	Shareholder	Not Applicable	Managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary properties and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies.
	Shareholder in Al Maali Holding Company that owns 60% of Gheras Holding Company.	Gheras Holding Company	Indirect (6% stake)	Shareholder	Not Applicable	Managing the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables for the holding companies, providing loans, guarantees and financing for the subsidiaries of holding companies, owning the industrial property rights of the subsidiaries of holding companies, and leasing the industrial property rights of the subsidiaries of holding companies.
	Shareholder in Retal Urban Development Company that owns 50% of Remal Al Khobar Real Estate Company.	Remal Al Khobar Real Estate Company	Indirect (6% stake)	Shareholder	Not Applicable	General construction of residential buildings and non-residential buildings (including schools, hospitals, hotels, etc.).
	Shareholder in Maali Al Khaleej Trading Company with a 25% stake.	Maali Al Khaleej Trading Company	Direct (25% stake)	Shareholder	Manager	Retail sale of metal hardware, carpentry and blacksmith tools and equipment, retail sale of electrical tools and installations.

Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Shareholder	Director/ Manager	
Fozan bin Mohammed bin Ahmed Al-Fozan	Shareholder in Retal Urban Development Company that owns 100% of Nesaj Urban Development Company.	Nesaj Urban Development Company	Indirect (9% stake)	Shareholder	Not Applicable	Management of construction projects.
	Shareholder in Retal Urban Development Company that owns 100% of Tadbeir Real Estate Company Limited.	Tadbeir Real Estate Company Limited	Indirect (9% stake)	Shareholder	Not Applicable	Buying, selling and subdividing land and real estate, off-plan sales activities, management and leasing of owned or leased properties (residential), management and leasing of owned or leased properties (non-residential), real estate brokerage (brokers' offices), real estate management activities for a commission, and sale of fixed and movable assets.
	Shareholder in Retal Urban Development Company that owns 95% of Tadbeir Limited Company.	Tadbeir Limited Company	Indirect (9% stake)	Shareholder	Not Applicable	General cleaning of buildings.
	Shareholder in Retal Urban Development Company that owns 95% of Building Construction Company Limited, and a shareholder in Nesaj Urban Development Company that owns 5% of Building Construction Company Limited.	Building Construction Company Limited	Indirect (9% stake)	Shareholder	Not Applicable	General construction of residential buildings, general construction of non-residential buildings (including schools, hospitals, hotels, etc.), general construction of government buildings, electrical wiring, communication wiring, and building finishing.
	A shareholder with a 10% share in AlFozan Holding Company.	AlFozan Holding Company	Direct (10% stake)	Shareholder	Member of the Board of Directors	Management of the subsidiaries of holding companies, investing the funds of the subsidiaries of holding companies, owning the necessary real estate and movables of holding companies, and providing loans, guarantees and financing for holding companies.
	Shareholder in Retal Urban Development Company that owns 50% of Remal Al Khobar Real Estate Company.	Remal Al Khobar Real Estate Company	Indirect (4.5% stake)	Shareholder	Not Applicable	General construction of residential buildings and non-residential buildings (including schools, hospitals, hotels, etc.).
	Manager of Maali Al Khaleej Trading Company.	Maali Al Khaleej Trading Company	Not Applicable	Not Applicable	Manager in the Company	Retail sale of metal hardware, carpentry and blacksmith tools and equipment, retail sale of electrical tools and installations.

Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Shareholder	Director/ Manager	
Abdullah bin Faisal bin Abdulaziz Al-Braikan	Shareholder in Retal Urban Development Company that owns 100% of Nesaj Urban Development Company.	Nesaj Urban Development Company	Indirect (5% stake)	Shareholder	Manager in the Company	Management of construction projects.
	Shareholder in Retal Urban Development Company that owns 100% of Tadbeir Real Estate Company Limited.	Tadbeir Real Estate Company Limited	Indirect (5% stake)	Shareholder	Manager of the Company	Buying, selling and subdividing land and real estate, off-plan sales activities, management and leasing of owned or leased properties (residential), management and leasing of owned or leased properties (non-residential), real estate brokerage (brokers' offices), real estate management activities for a commission, and sale of fixed and movable assets.
	Shareholder in Retal Urban Development Company that owns 95% of Tadbeir Limited Company.	Tadbeir Limited Company	Indirect 4.8% stake)	Shareholder	Manager in the Company	General cleaning of buildings.
	Shareholder in Retal Urban Development Company that owns 25% of Mimar Emirates and Arac Engineering Consultancy.	Mimar Emirates and Arac Engineering Consultancy	26.25%	Shareholder	Board member	Engineering consultancy.
	Shareholder in Retal Urban Development Company that owns 50% of Remal Al Khobar Real Estate Company.	Remal Al Khobar Real Estate Company	Indirect (2.5% stake)	Shareholder	Board member	General construction of residential buildings and non-residential buildings (including schools, hospitals, hotels, etc.).
	Shareholder in Retal Urban Development Company that owns 95% of Building Construction Company Limited, and a shareholder in Nesaj Urban Development Company that owns 5% of Building Construction Company Limited.	Building Construction Company Limited	Indirect (5% stake)	Shareholder	Manager in the Company	General construction of residential buildings, general construction of non-residential buildings (including schools, hospitals, hotels, etc.), general construction of government buildings, electrical wiring, communication wiring, and building finishing.

Source: Company

Except as stated above, the Company's Management confirms that none of the Senior Executives or the Board Secretary or any of their relatives hold any direct or indirect interests in the equity or debt securities of the Company or its Subsidiaries or any interest in any other matter that may affect the Company's business.

The following table sets out the details of the Directors partaking in activities similar to, or competing with, the Company's (such cases were approved by the Shareholders during the Company's General Assembly convened on 22/12/1442H (corresponding to 01/08/2021G).

Table (5-10): Board Members taking part in activities similar to, or competing with, the Company's through their being members in the boards thereof or owning shares therein:

	Name of Board Member	Name of Relevant Company	Position held by Board Member in the Relevant Company		Nature of Competing Activities
			Owner?	Board Member?	
1.	Abdullah bin Abdullatif bin Ahmed Al-Fozan	Ajdan Real Estate Development Company	Yes (indirect ownership)	Yes	Real Estate Development
		Saudi Tharwa Company	Yes (indirect ownership)	Yes	Real Estate Development
		Al Khobar Lakes Real Estate Development Company	Yes (indirect ownership)	Yes	Real Estate Development
		New Jeddah Downtown Company	No	Yes	Real Estate Development
		AlOula Real Estate Development Company	Yes (indirect ownership)	No	Real Estate Development
		Shomoul Holding Company	Yes (indirect ownership)	Yes	Real Estate Development
		Tharwa Town Company	Yes (indirect ownership)	Yes	Real Estate Development
		Nesaj Residential Compound Company	Yes (indirect ownership)	No	Real Estate
		Amjal Property Development Company	Yes (indirect ownership)	No	Real Estate Development
		Remal Al Khobar Company	Yes (indirect ownership)	Yes	Real Estate Development
		Shomoul Shopping Malls Company	Yes (indirect ownership)	Yes	Real Estate Development
2.	Fozan bin Mohammed bin Ahmed Al-Fozan	Amjal Property Development Company	Yes (indirect ownership)	Yes	Real Estate Development
		Ajdan Real Estate Development Company	Yes (indirect ownership)	No	Real Estate Development
		Saudi Tharwa Company	Yes (indirect ownership)	No	Real Estate Development
		Al Khobar Lakes Real Estate Development Company	Yes (indirect ownership)	No	Real Estate Development
		Shomoul Holding Company	Yes (indirect ownership)	No	Real Estate Development
		Nesaj Residential Compound Company	Yes (indirect ownership)	No	Real Estate
		Tharwa Town Company	Yes (indirect ownership)	No	Real Estate Development
		AlOula Real Estate Development Company	Yes (indirect ownership)	No	Real Estate Development
		Remal Al Khobar Company	Yes (indirect ownership)	No	Real Estate Development
		Shomoul Shopping Malls Company	Yes (indirect ownership)	No	Real Estate Development

	Name of Board Member	Name of Relevant Company	Position held by Board Member in the Relevant Company		Nature of Competing Activities
			Owner?	Board Member?	
3.	Fahd bin Abdulrahman bin Mohammed Al-Mujil	Saudi Tharwa Company	Yes	Yes	Real Estate Development
		National Amlak Company	Yes	Yes	Real Estate Development
		Al Widyan Saudi Real Estate Company	No	Yes	Real Estate Development
		Tharwa Town Company	Yes (indirect ownership)	No	Real Estate Development
		Saudi Real Estate Company	No	Yes (executive committee member)	Real Estate Development
4.	Abdullah bin Faisal bin Abdulaziz Al-Braikan	New Jeddah Downtown Company	No	Yes	Real Estate Development
		Nesaj Residential Compound Company	No	Yes	Real Estate
		Saudi Tharwa Company	Yes (indirect ownership)	No	Real Estate Development
		Tharwa Town Company	Yes	No	Real Estate Development
		Remal Al Khobar Company	Yes (indirect ownership)	Yes	Real Estate Development
5.	Abdulrahman bin Ibrahim bin Abdulrahman Aljalal	Nesaj Residential Compound Company	No	Yes	Real Estate

Source: the Company

As of the date of this Prospectus, the Company has seventeen (17) current transactions with Related Parties. Some of the Company's dealings with Related Parties were approved in the General Assembly meeting dated 22/12/1442H (corresponding to 01/08/2021G), the General Assembly meeting dated 22/03/1443H (corresponding to 28/10/2021G), the General Assembly meeting dated 04/04/1443H (corresponding to 09/11/2021G), the General Assembly meeting dated 04/04/1443H (corresponding 09/11/2021G), and the General Assembly meeting dated 21/06/1443H (corresponding 24/01/2022G). The amounts due from Related Parties totaled SAR 26,656,026, SAR 10,932,264, SAR 8,146,240, and SAR 5,622,266, representing 5%, 2%, 1%, and 0.35% of total assets the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 30 September 2021G, respectively. Related Party dues totaled SAR 185,510,228, SAR 98,756,661, SAR 123,959,734, and SAR 158,649,782, representing 48%, 30%, 19%, and 15.6% of total liabilities, for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G, and the period ended 30 September 2021G, respectively. For a summary of the Company's transaction with Related Parties, see Section 12.8 ("**Transactions and Contracts with Related Parties**").

Under its transactions with Related Parties, the Company offers engineering consultancy services; oversees implementation, construction, and finishing work; and offers administrative services, investing in an investment fund, and lease contracts.

5.6.1 Transactions and Contracts with Related Parties

5.6.1.1 Mimar Emirates and Arac Engineering Consultancy Services Agreement

On 17/05/1442H (corresponding to 01/01/2021G), the Company entered into a service agreement with Mimar Emirates and Arac Engineering Consultants, a Related Party, as 26.25% of the shares capital thereof is indirectly owned by Abdullah Al-Braikan, a member of the Board.

Under such agreement, the Company offers IT, human resources, and government relations services, as well as financial and legal management services to Mimar Emirates and Arac Engineering Consultants. The Company charges time-based fees charged for the work performed by the service provider, with a fixed rate ranging between SAR 30-145 per hour, as per the professional experience of the service provider. The agreement expires on 31/12/2021G. The service agreement is concluded on an arm's length basis.

5.6.1.2 Related Party Leases

The following table shows the details of substantial real estate leased by the Company from Related Parties:

Table (5-11): Lease Agreements with Related Parties

	Description of the Leased premises	City	Lessor	Lessee	Lease Start	Duration	Renewal	Annual rent
1	Lease for a residential unit to be used as a family residence	Al Khobar	Nesaj Real Estate Development Compound*	The Company	23/07/2020G	One year	Renewable for a similar period or periods unless one of the parties notifies the other of its unwillingness to renew.	SAR 148,000
2	Lease for a residential unit to be used as a family residence	Al Khobar	Nesaj Real Estate Development Compound*	The Company	17/08/2021G	One year	Renewable for a similar period or periods unless one of the parties notifies the other of its unwillingness to renew.	SAR 168,000
3	Lease for a unit on the fifth floor of Retal Business Center	Al Khobar	Mimar Emirates and Arac Engineering Consultancy**	The Company	05/07/2020G	3 Years	By mutual agreement between the two parties, unless one of the parties notifies the other party of its unwillingness to renew at least six (6) months prior to the expiry of the contract.	SAR 61,100
4	Commercial building lease contract	Al Khobar	United Homeware Company Ltd.	The Company	01/01/2020G	10 Years	Automatically renewed for a similar period unless one of the parties notifies the other of its unwillingness to renew two months prior to contract expiry.	SAR 3,850,000
Annual Rent Total								**SAR 4,227,100**

Source: the Company

* Deemed a Related Party, because the following members of the Company's Board of Directors, Mr. Abdullah Abdullatif Al-Fozan, Mr. Ali Abdullatif Al-Fozan, Mr. Fozan Muhammad Al-Fozan hold indirect ownership percentages of 8.1%, 8.1% and 4.5% of the capital thereof, respectively. While Board member Mr. Abdullah Al-Braikan, currently occupies the position of Chairman of the Board of Directors in Nesaj Real Estate Development Compound.

** Deemed a Related Party, because Board member, Mr. Abdullah Al-Braikan, owns an indirect ownership percentage of 26.25% of the capital thereof.

*** Deemed a Related Party, because Mr. Abdullatif Ali Al-Fozan, Chairman of the Board of Directors of United Homeware Company, is a relative of Mr. Abdullah bin Abdullatif Al-Fozan, Chairman of the Board, and Mr. Ali Abdullatif Al-Fozan, Vice Chairman of the Board Administration.

5.6.1.3 Investment in Al-Ahsa Real Estate Fund

The Company invested SAR 100 million in the Al-Ahsa Real Estate Fund on 20/02/1443H (corresponding to 27/09/2021G) in exchange for units in the Fund. It should be noted that the Saudi BlomInvest is the manager of the Al-Ahsa Real Estate Fund, and it is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%. In addition, Mr. Abdullah Al-Braikan, a Board member, is also a member of the Board of Directors of the Al-Ahsa Real Estate Fund. The investment is on a purely arm's length basis.

5.6.1.4 Preliminary Development Agreement for the Retal Business Park

On 20/02/1443H (corresponding to 27/09/2021G), the Company entered into a development agreement in principle with the Business Park Fund, which is represented by the fund manager, BLOMINVEST Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

Under this agreement, the Company will develop and supervise the development of the real estate project owned by the Fund, which is the construction of a complex containing offices and other facilities with a total area of 33,579 square meters according to the plans and designs proposed between the two parties. The fees for services due to the Company are calculated at a specific percentage of the development costs based on invoices approved by the consultant and the Business Park Fund, in addition to the fees for good performance with a specific percentage of the net profit. The term of the agreement expires 24 months from the date of receipt of the first financial payment. The concluded development agreement is on a purely arm's length basis.

5.6.1.5 Joint Acquisition of Land Agreement in a Retal Business Park Project Property

On 07/01/1443H (corresponding to 15/08/2021G), the Company entered into a real estate partnership agreement, as amended by Appendix (1) on 16/12/2021G with BLOMINVEST Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

The Company and the BLOMINVEST Saudi Arabia purchased a plot of land with title deed number 396426002202 for a total amount of 60,237,007 Saudi Riyals, and participated therein for 50% to contribute in kind to the land in the Business Park Fund in exchange for 60,000,000 units (where the Company owns 30,118.5 units) of the Business Fund units Park, managed by BLOMINVEST Saudi Arabia. The concluded partnership agreement is on a purely arm's length basis.

5.6.1.6 Investment in the Business Park Fund

On 16/05/1443H (corresponding to 20/12/2021G), the Company invested in the Business Park Fund an amount of SAR 60,237,007.95 in consideration of 60,000,000 units in the Fund. It should be noted that the manager of the Business Park Fund is BLOMINVEST Saudi Arabia, which is a Related Party as Board Chairman Mr. Abdullah bin Abdullatif Al Fozan owns 1.95%, Vice Chairman Mr. Ali Abdullatif Al Fozan owns 1.95%, and Board member Mr. Fozan Al Fozan owns 1.5% of the shares in BLOMINVEST Saudi Arabia, in each case, indirectly. The investment is on a purely arm's length basis.

5.6.1.7 Commitment to Purchase Real Estate Agreement for the Nesaj Town Al-Ahsa Project

On 23/01/1443H (corresponding to 31/08/2021G), the Company entered into a commitment to purchase real estate agreement with the Al-Ahsa Real Estate Fund, which is represented by the fund manager, BLOMINVEST Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%. In addition, Mr. Abdullah Al-Braikan, a Board member, is also a member of the Board of Directors of the Al-Ahsa Real Estate Fund.

Under this agreement, Al-Ahsa Real Estate Fund is obligated to purchase the entire land from the owner of the Fund, and the Company has committed to purchase 350,000 thousand square meters of the land from the Fund for 330,554,000 Saudi Riyals, on the basis that the Fund will grant the Company the exclusive right to develop and market the project, provided that a formal development agreement is signed. The commitment to purchase real estate agreement was entered into on a purely arm's length basis.

5.6.1.8 Development Agreement for Nesaj Town Al-Ahsa Project

On 02/02/1443H (corresponding to 09/09/2021), the Company entered into a development agreement with the Al-Ahsa Real Estate Fund, which is represented by the fund manager, BLOMINVEST Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%. In addition, Mr. Abdullah Al-Braikan, a Board member, is also a member of the Board of Directors of the Al-Ahsa Real Estate Fund.

Under this agreement, the Company will develop and market the real estate project owned by the Fund, comprising of residential and commercial lands with a total area of 395,573 thousand square meters in return for the right to exclusively market the project in cooperation with Inovest Real Estate Company for a period of 24 months. During the marketing period, the Company will be paid a 2.5% commission from buyers. The development agreement was entered into on a purely arm's length basis.

5.6.1.9 Development and Marketing Agreement for Retal Blue Project

On 31/10/2021G, the Company entered into a development and marketing agreement with the AlKhaleej AlArabi Resorts Fund , which is represented by the fund manager, BLOMINVEST Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

Under this agreement, the Company is committed in principle to developing and marketing a resort project, considering that this commitment is related to the establishment of the AlKhaleej AlArabi Resorts Fund, and said Fund's purchase of the land for the project from the Company and Mohammed Al-Nahdi. The fees for services due to the Company are calculated at a specific percentage of the development costs based on invoices approved by the consultant and the Business Park Fund, in addition to good performance fees with a partial percentage paid to the fund manager and a specific percentage to the Company. This agreement is considered approved from the date of its signature and will remain in effect until liquidation of the fund. The concluded development and marketing agreement is on a purely arm's length basis.

5.6.1.10 Commitment for Sale Agreement for the Retal Blue Project

On 31/10/2021G, the Company entered into a commitment to sell agreement with Mohammed bin Salmeen bin Mubarak Al-Nahdi and the AlKhaleej AlArabi Resorts Fund, which is represented by the fund manager, BLOMINVEST Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

Under this agreement, the AlKhaleej AlArabi Resorts Fund commits to purchase two plots of land with a surface area of 500,000 square meters from the Company and Mohammed bin Salmeen bin Mubarak Al Nahdi for 225,000,000 Saudi Riyals. The concluded commitment agreement is on a purely arm's length basis.

5.7 Employee Shares

As of the date of this prospectus, the CEO, Abdullah bin Faisal Al-Braikan, owns two million (2,000,000) ordinary shares, which represent 5% of the Company's shares pre-offering. In addition, the CEO of Tadbeir Limited Company, Mr. Amer Saleh Al Khashel, owns two thousand five hundred (2,500) ordinary shares, representing 5% of Tadbeir Limited Company's shares. It should be noted that Tadbeir Limited Company granted an extra right to purchase option to Mr. Amer Saleh Al Khashel, Executive Director of Tadbeir Limited Company, in his employment contract which stipulates that in the event that a cumulative net profit of not less than ninety million Saudi Riyals (SAR 90,000,000) is achieved for Tadbeir Limited Company during the five years from the date of his appointment 06/13/1443H (corresponding to 01/26/2021G), he is entitled to own the book value of 5% of the shares of Tadbeir Limited Company, according to the last audited budget. If he is not able to achieve the aforementioned goal during the first five years from the date of his appointment, he is not entitled to any shares in Tadbeir Limited Company.

Except for the aforementioned, the Company affirms that neither the Company nor its Subsidiaries have any existing employee share schemes nor any other arrangements that involve employees in the Company's capital prior to the application for registration and the offering of securities subject to this Prospectus.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

6.1 Introduction

The following Management's Discussion and Analysis ("**MD&A**") of the financial results of Retal Urban Development Company (the "**Company**") and its subsidiaries (together referred to as "**the Group**" for the years ended 31 December 2018G , 2019G and 2020G , in addition to the interim nine-month period ended 30 September 2020G and 2021G based on the consolidated audited financial statements for the years ended 31 December 2018G ("**2018G**"), 2019G ("**2019G**") and 2020G ("**2020G**") and the reviewed condensed consolidated interim financial statements for the nine-month period ended 30 September 2021G , together being the "**Financial Statements**"; and should be read in conjunction with the financial statements referred to above.

The financial information presented in this discussion has been derived from the Financial Statements prepared by the Group and audited in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia for the years ended 31 December 2018G, 2019G and 2020G and reviewed in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity that are endorsed in the Kingdom of Saudi Arabia for the nine-month period ended 30 September 2021G by the Group's independent auditors Baker Tilly MK & Co ("**Bakertilly**").

The Group has applied the International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("**SOCPA**") for the preparation of the financial statements for the years ended 31 December 2018G, 2019G and 2020G.

The Group has applied IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia for the preparation of the condensed consolidated interim financial statements for the nine-month period ended 30 September 2021G.

Neither the Auditor (as part of the team working for the Company and its subsidiaries) nor any of their subsidiaries or any of their employees' relatives own any shares or stock of any kind in the Company and its subsidiaries that would impair their independence.

The above-mentioned financial statements are an integral part of this Section and it should be read in conjunction with these financial statements and their supplementary notes, and these financial statements are contained in Section 20 ("**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORTS**") of this Prospectus.

The figures in this MD&A have been rounded to the nearest SAR in thousands. Therefore, if summed, the numbers may differ to those which are stated in the tables. Annual percentages, margins and CAGRs are based on the rounded figures.

This Section might include forward-looking statements related to the Group's future capabilities, based on management's plans and prospects as to its growth, results of operations and financial condition that could involve prospective risks and uncertainties.

The Group's actual results could differ materially from those anticipated as a result of numerous factors, risks, and future events, including those discussed in this Section of the Prospectus or elsewhere thereof, particularly Section 2 ("**RISK FACTORS**").

6.2 Directors' Declaration for Financial Information

The Board of Directors declares that the financial information presented in this Section is extracted without material adjustment from the consolidated audited financial statements for the years ended 31 December 2018G , 2019G and 2020G and the accompanying notes, which were prepared by the Group in accordance with International Financial Reporting Standards (IFRS) as endorsed in KSA and the reviewed condensed consolidated interim financial statements for the nine-month period ended 30 September 2021G and the accompanying notes, which were prepared by the Group in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia.

The Board of Directors declares that the Group has working capital sufficient for a period of at least 12 months from the date of this Prospectus.

The Board of Directors declares that there have been no material adverse changes to the Group's financial or business position in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditors report until the date of issuing this Prospectus.

The Board of Directors declares that there is no intention to introduce any material changes to the nature of the Group's activity.

The Board of Directors confirms that operations have not discontinued in a way that could affect or has affected the Group's financial position materially during the past 12 months.

The Board of Directors declare that all material facts related to the Group and its financial performance have been disclosed in this prospectus, and that there are no other information, documents, or facts, the omission of which would make any statement herein misleading.

The Board of Directors declares that the Group has provided comprehensive details in this Section of all fixed assets and investments, including contractual financial securities or other assets, which may be subject to fluctuations in value or may be difficult to estimate.

The Board of Directors confirm that the Group has provided comprehensive details in this Section of any commissions, discounts, brokerage fees or other non-cash compensation granted by the Issuer or any of its Subsidiaries during the three years directly preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.

The Board of Directors confirm that the Group's capital is not under option, except for the option to purchase shares related to Tadbeir Limited Company, granted to Mr. Amer Saleh Al Khashel, Executive Director of Tadbeir Limited Company.

The Board of Directors declare that the Group has no loans or indebtedness, including bank overdrafts, commitments under acceptance, acceptance credits, or rental purchase commitments, as of 30 September 2021G, except as provided in Section 12.9 ("**Credit Facilities and Contracts**") from this prospectus.

The Board of Directors declare that the properties of the Group are not subject to any mortgages, rights, or encumbrances as of 30 September 2021G, except as provided in Section 12.9 ("**Credit Facilities and Contracts**") from this prospectus.

The Board of Directors declares that as of the date of this Prospectus and as of 30 September 2021G there are no significant fixed assets outside the normal course of business to be purchased or leased by the Group or its Subsidiaries, except as described in this Section 6 in the part related to the commitments and contingencies within the Group's statement of financial position.

One of Retal's subsidiaries, Tadbeir Co. Ltd., has the option to purchase shares, whereby Tadbeir Co. Ltd. granted this option to Mr. Amer Saleh Al Khashel, Chief Executive Officer of Tadbeir Co. Ltd., as per his employment contract in which one of the clauses states that in the event of achieving a cumulative net profit of not less than ninety (90) million Saudi riyals for Tadbeir Limited Company during the five years from the date of his appointment 06/13/1443 AH (corresponding to 01/26/2021G) based on the book value as per the last reviewed budget. If he is not able to achieve the aforementioned goal during the first five years from the date of his appointment, Mr. Amer is not entitled to any shares in Tadbeir Limited Company.

Name of the subsidiary	Date of the contract	Name of the beneficiary	Address	Position	The consideration for which the right has been or will be granted	Option cost	Duration
Tadbeer Co. Ltd	06/13/1443 AH (corresponding to 01/26/2021G)	Mr. Amer Saleh Al Khashel	Dahran, Al Qusor District	Chief Executive Officer	If a cumulative net profit of not less than ninety (90) million Saudi riyals is achieved	5% of the shares in the company's capital, according to the book value as per the last reviewed budget	Within the five years from the date of the appointment as CEO of the company

6.3 Group Overview

Retal Urban Development Company ("**the Company**") or ("**the Parent Company**") is a closed joint stock company (previously a limited liability company) registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012G). The registered address of the Company is P.O. Box 1448 Al Rawaby, King Faisal Str., Al Khobar, 31952, Kingdom of Saudi Arabia.

During the year 2020G, the shareholders decided to convert the Company from a limited liability company to a closed joint stock company. The Company obtained ministerial approval for the official announcement of the conversion on 9 Muharram 1442 H, corresponding to 28 August 2020G.

The Company's by-laws stipulate that the Company's first fiscal year starts from the date of ministerial approval of the official announcement to convert the Company from a limited liability company to a closed joint stock Company i.e., 28 August 2020G until 31 December of the following year. The Company's management believes that since the change in the legal form of the Company did not lead to any new accounting unit, these consolidated financial statements have been prepared for a full year from 1 January 2020G to 31 December 2020G, to better reflect the Company's operations on a consistent and comparable basis.

The Company is principally engaged in:

- Purchase and sale of land and real estate, divide them, and sale on map activities;
- General construction of residential buildings;
- General construction of non-residential building, including (schools, hospitals, hotels … etc.).

The Company's By-laws includes the activity of acquisition of shares or shares in existing companies or merger with them.

The financial statements include the assets, liabilities, and the results of the Company and the following branch:

Branch	Date	Location	Registration certificate	Registration
Retal Urban Development Company branch	21 Dhu al-Qi'dah 1441	Riyadh	1010642508	Dahran, Al Qusor District
Retal Urban Development Company branch	18 Dhu'l Hijjah 1442	Khobar	2051236513	Khobar

The Ultimate Parent Company is Abdullatif and Mohammed Al-Fozan Company.

These consolidated financial statements include the financial statements of the Company and the following subsidiaries (collectively referred to as "**the Group**") that are 100% directly and indirectly owned and prepared by the management for the purposes of submitting them to GAZT in accordance with Ministerial Resolution No. 1005 that dated 28 Rabi' al-Thani 1428H.

Table (6-1): The Group includes the following subsidiaries, and the table below shows the actual ownership of the subsidiaries for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2021G

	Effective ownership (in %)			
	30 September 2021G	31 December 2020G	31 December 2019G	31 December 2018G
Tadbeir Limited Company ("**Tadbeir**")	95	100	100	100
Nesaj Urban Development Company ("**Nesaj**")	100	100	100	100
Building and Construction Company ("**BCC**")	100	100	100	100
Wejha United Real Estate Company ("**Wejha**")	-	100	-	-
Tadbeir Real Estate Company ("**TRS**")	100	-	-	-
Remal Al Khobar Real Estate Company ("**Remal**")	50	-	-	-
Itlalah Al Sharq Real Estate Company ("**Itlalah**")	50	-	-	-

Tadbeir

Tadbeir is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (4 November 2014). The registered address of Tadbeir is P.O. Box 1448 Al Rawaby, King Faisal Str., Al Khobar, 31952, Kingdom of Saudi Arabia.Tadbeir is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks, and sports facilities.

During the nine-month period ended 30 September 2021G, the shareholders of Tadbeir resolved to increase Tadbeir's share capital from SAR0.5 million to SAR5million through cash contribution, the legal formalities associated with the increase were completed during the period. As a result of this increase, a new shareholder was introduced, contributing SAR250 thousand out of SAR 4.5 million which has given him 5% ownership in Tadbeir.

Tadbeir Co. Ltd. has the option to purchase shares, whereby Tadbeir granted this option to Mr. Amer Saleh Al Khashel, Chief Executive Officer of Tadbeir Co. Ltd., as per his employment contract in which one of the clauses states that in the event of achieving a cumulative net profit of not less than ninety (90) million Saudi riyals for Tadbeir Limited Company during the five years from the date of his appointment 06/13/1443 AH (corresponding to 01/26/2021G) based on the book value as per the last reviewed budget. If he is not able to achieve the aforementioned goal during the first five years from the date of his appointment, Mr. Amer is not entitled to any shares in Tadbeir Limited Company.

The shareholders of Tadbeir and their respective shareholding as of 30 September 2021G and 31 December 2020G are as follows:

Name	Share Capital (SAR)		Ownership %	
	30 September 2021G	31 December 2020G	30 September 2021G	31 December 2020G
Retal Urban Development Company	4,750,000	500,000	95	100
Mr. Amer Al Khushel	250,000	-	5	-
Total	**5,000,000**	**500,000**	**100**	**100**

Nesaj

Nesaj is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (5 August 2012). P.O. Box 1448 Al Rawaby, King Faisal Str., Al Khobar, 31952, Kingdom of Saudi Arabia.The principal activities of the Nesaj are:

- Buying lands and constructing buildings on them for sale or rental to third parties;
- Management, maintenance, and development of real estate;
- Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
- General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of BCC is P.O. Box 1448 Al Rawaby, King Faisal Str., Al Khobar, 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition, and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

Wejha

Wejha is a single person limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051232830 issued in Khobar dated 1 Rabi' Al-Thani 1442H (16 November 2020). The registered address of Wejha is P.O. Box 34421, Rawabi, Khobar, Kingdom of Saudi Arabia.

The principal activities of Al-Wejha company are general contracting of residential buildings.

In April 2021G, the shareholders of the Company resolved to dispose 100% shareholding in Wejha United Real Estate. During the second quarter of 2021G, the investment in Wejha has been transferred to Alpha Real Estate Development Fund 1, (Associate Company), which the Parent Company own 30% of it for the consideration of SAR156 million against gross assets amounting to SAR135.6 million.

Wejha had no revenue and incurred no expenses over the same period.

During the nine-month period ending on 30 September 2021G, the Board of Directors decided to sell all the stakes in Wejha Real Estate Company, a subsidiary of the Group, and to allocate its assets and liabilities as available-for-sale assets. The sale and collection took place during the third quarter of 2021G.

SAR	30 September 2021G	31 December 2020G
Assets Investment properties	-	135,581,004
Liabilities and equity Liabilities Due to a related party	-	135,531,004
Equity Share capital	-	50,000

TRS

TRS is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No.2051063497 issued in Khobar dated 10 Shawwal 1442H (corresponding to 22 May 2021). The registered address of TRS is P.O. Box 30730, King Faisal Road, Al Rawabi, Al Khobar 34421, Kingdom of Saudi Arabia.

TRS is principally engaged as a broker in sale of fixed and movable assets, purchase and sale of land and real estate and its division and off-plan sales activities, management, and rental of owned or leased (residential) real estate, management, and rental of owned or leased (non-residential), activities of brokers' agents (brokers' offices), real estate management activities for a commission, money management and preservation of the property.

Remal

Remal is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No.2051236572 issued in Khobar dated 23 Dhu'l Hijjah 1442H (corresponding to 2 August 2021). The registered address of Remal is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Remal is principally engaged in general construction of residential buildings and public construction of non-residential buildings such as schools, hospitals, hotels, etc.

Remal has not yet started its operations until 30 September 2021G.

The shareholders of Remal and their respective shareholding as of 30 September 2021G and 31 December 2020G are as follows:

Name	Share Capital (SAR)		Ownership %	
	30 September 2021G	31 December 2020G	30 September 2021G	31 December 2020G
Retal Urban Development Company	250,000	-	50	-
Aseel Company Arabian for Real Estate	250,000	-	50	-
Total	**500,000**	**-**	**100**	**-**

Itlalah

Itlalah is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No.2051234026 issued in Khobar dated 18 Jumada Al Thani 1442H (corresponding to 31 January 2021). The registered address of Itlalah is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Itlalah is principally engaged in the activities of general construction of residential buildings, public construction of government buildings, real estate development of residential buildings with modern construction methods, management, and rental of owned or leased (residential and non-residential) properties, management and leasing of self-storage stores, management and operation of hotel apartments and real estate management activities for a commission.

Itlalah has not yet started its operations until 30 September 2021G.

The shareholders of Itlalah and their respective shareholding as of 30 September 2021G and 31 December 2020G are as follows:

Name	Share Capital (SAR)		Ownership %	
	30 September 2021G	31 December 2020G	30 September 2021G	31 December 2020G
Retal Urban Development Company	500,000	-	50	-
Thabat Al Omran for Real Estate Company	500,000	-	50	-
Total	**1,000,000**	**-**	**100**	**-**

6.4 Basis of Preparation and Summary of Significant Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants. Details of the Group's significant accounting policies are disclosed in note 6.4.2. ("**Significant Accounting Policies**").

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and defined benefit obligations measured at fair value. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SAR), except when otherwise indicated.

6.4.1 Significant accounting judgments, estimates and assumptions

The preparation of the Group's special purpose consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the account Grouping disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Control over subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Significant influence over an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertain zakat position

The Group's current zakat payable of SAR7,921,138 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly.

Impairment of inventory

Inventory is stated at cost or net realizable value, whichever is lower. When the goods become old or obsolete, an estimate is made of their net realizable value. For each significant amount, an estimate is made for each amount separately. Amounts which are not individually significant, but which are considered old or obsolete, are assessed collectively and a provision is established according to the inventory type, age, or degree of obsolescence, based on expected selling prices.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for development and investment properties at each reporting date. The development investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Estimated cost to complete

The Group uses the percentage-of-completion method ("**POC**") in accounting for its long-term construction and development contracts. Use of POC requires the Group to estimate the total cost to complete a contract. If the total estimated costs were 10% higher than management's estimates, the amount of revenue recognized during the year ended 31 December 2020G would have decreased by SAR14.9 million. If the total estimated costs were 10% lesser than management's estimates, the amount of revenue recognized during the year ended 31 December 2020G would have increased by SAR17.2 million as well.

Impairment of trade receivables

The Group uses a provision matrix to calculate Expected Credit Losses "**ECLs**" for lease receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Long-term assumptions for employees' benefits

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Options for extending and terminating lease contracts

Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Group and the Lessee.

When determining the tenancy contract duration, the Group's management considers all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee.

Lease Payments Discount

Rental payments are discounted using the Group's incremental borrowing rate (IBR). The Group's management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

Backdrop of the Covid-19 pandemic

Group has reviewed the key sources of estimation uncertainties disclosed in the consolidated financial statements against the backdrop of the Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the financial statements as of 31 December 2019G. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

6.4.2 Significant Accounting Policies

The following are the significant accounting policies applied by the Group in preparing its financial statements:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G. The following tables summarize the financial information of the subsidiaries as included in their financial statements:

A- Tadbeir Company Ltd

The following table summarizes the financial information of Tadbeir Company as included in its financial statements. The table also shows the summarized financial information with the company's share in the book value of Tabeir.

	2019G	2020G
	SAR	
Total assets	15,373,717	25,307,313
Total liabilities	(13,320,473)	(25,199,842)
Shareholders' equity	2,053,244	107,471

The following is a summary of the statement of profit or loss and other comprehensive income for Tadbeir Company for the year ended 31 December 2019G and 2020G:

	2019G	2020G
	SAR	
Revenue	28,941,803	31,015,531
(Loss) profit for the year	872,703	(1,596,266)
Total (loss) comprehensive income	752,279	(1,945,773)
Total company's share (comprehensive loss) comprehensive income	752,279	(1,945,773)

B- Nesaj Urban Development Company

The following table summarizes the financial information of Nesaj Company as included in its financial statements. The table also shows the summarized financial information with the company's share in the book value of Nesaj.

	2019G	2020G
	SAR	
Total assets	26,958,876	10,501,640
Total liabilities	(15,225,833)	(3,727,563)
Shareholders' equity	11,733,043	6,774,077

	2019G	2020G
	SAR	
Revenue	33,032,765	17,043,434
(Loss) profit for the year	(5,463,951)	5,090,692
Total (loss) comprehensive income	(6,535,701)	(49,645)
Total company's share (comprehensive loss) comprehensive income	(6,535,701)	5,041,047

C- Building Construction Company

Building Construction Company is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2051023581 issued in Al-Khobar on Jumada II 1420H (corresponding to September 25, 1999G). The Development and Construction Company's registered address is P.O. Box 30730, Prince Turki Bin Abdulaziz Street, Al Khobar 31952, Kingdom of Saudi Arabia.

The main activity of the Construction and Development Company is general contracting for buildings (repair, demolition, and restoration), road works, dams, tunnels, water, and sewage works, air conditioning and refrigeration, in addition to contracting electrical and mechanical works, excavation and backfill works. In addition to managing and operating factories, industrial projects, commercial complexes, and infrastructure contracting.

The other partner waived his right in the investee company in favor of Retal Urban Development Company. The company obtained the assignment letter and agreed to the percentage of the stake that was transferred.

The following table summarizes the financial information of the Construction and Development Company as included in its financial statements. The table also shows the summarized financial information with the book value of the Group's stake in the construction and development company.

	2019G	2020G
	SAR	
Total assets	63,411,780	198,926,545
Total liabilities	(41,534,732)	(166,663,424)
Goodwill	3,088,189	3,088,189
Shareholders' equity	24,965,237	35,351,310

The following is a summary of the statement of profit or loss and other comprehensive income of the Construction and Development Company for the year ended 31 December 2019G and 2020G:

	2019G	2020G
	SAR	
Revenue	158,976,631	288,215,902
Income for the year	6,623,255	10,864,230
Total (loss) comprehensive income	6,216,080	(478,097)
The Group's share of total comprehensive income	6,216,080	10,386,133

D- Wejha United Real Estate Company

The following table summarizes the financial information of Wejha United Real Estate Company as included in its financial statements. The table also shows the summarized financial information with the book value of the Group's stake in Wejha United Real Estate Company during the fiscal year 2020G. Wejha does not have any revenues and has not incurred any expenses.

	2019G	2020G
	SAR	
Total assets	-	135,581,004
Total liabilities	-	(135,531,004)
Shareholders' equity	-	50,000

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("**OCI**") are attributed to the shareholders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the statement of profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in profit or loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	2019G	2020G
Furniture, fixtures, and office equipment	4 -10 years	4 -10 years
Machinery and equipment	4 years	5 years
Vehicles	5 years	4-5 years
Lease hold improvements	4 years	4 years or the lease term, whichever is less
Buildings	25 years	25 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress

Assets in the course of construction or development are capitalized in a capital work-in-progress account. An asset under construction or development is transferred to the appropriate category of property, equipment, or investment property as soon as the asset is in the location and/or condition necessary for it to be capable of operating: in the manner intended by management. The cost of items of capital work-in-progress includes the purchase price, construction/development cost, and any other cost directly attributable to the construction or acquisition of an item of capital work-in-progress intended by management.

Development properties

Properties that are being constructed or developed for the purpose of selling them in the normal course of the Group's business are classified as Development properties until the completion of their construction or development.

Development properties that are expected to be ready for sale within next twelve months are classified as part of the Group's current assets.

Properties that are being constructed or developed on leased land to earn rentals in the normal course of the Group's business are classified as Development properties until the completion of its construction or development, at that time they are transferred as investment property under non-current assets.

Development properties include the costs incurred for the construction and development of such properties.

Investment properties

Investment properties are accounted for using the Cost Model consistent with the way property and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 30 years.

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and expenditure is recognized in the consolidated statement of profit or loss when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalization threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognized on a straight-line basis in the consolidated statement of profit or loss.

Group as a lessor

Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue once they are earned.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and subsidiaries

The Group's investments in associates and subsidiaries that have not been consolidated are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after zakat in the subsidiaries and associates.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of profit of an associate in the statement of profit or loss.

Upon loss of significant influence, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Inventories

The cost of raw materials and spare parts are those expenditure incurred in bringing each item to its present location and condition. Inventories are priced by applying the weighted average method.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost includes contract assets and trade receivables.

Equity instruments at fair value through other comprehensive income

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

Derecognition

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

A provision for the expected credit loss should be recognized over the life of the financial instrument if the credit risk on that financial instrument increases substantially since the initial recognition and the expected credit loss is an expected weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the expectation of several future economic scenarios, discounted at the effective interest rate of the asset. The Group assesses whether there is objective evidence of impairment on an individual basis for each asset of individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

Employee benefit obligations

Short term employee benefits

The cost of short-term employee benefits (accrued within 12 months after separation, such as paid time off, tickets, bonuses, and non-monetary benefits such as medical care) is recognized for employee services through the end of the financial reporting period and is measured at the undiscounted amounts expected to be paid when the obligations are settled.

Employee termination benefits

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, loans, and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Expenses

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Group.

Zakat

The Group provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the consolidated statement of profit or loss and other comprehensive income.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Value added tax

Revenues, expenses, and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

6.4.3 New Accounting Policies adopted during the year 2020G

The accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements for the nine-month period ended 30 September 2021G and consolidated financial statements for the year ended 31 December 2020G are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019G, except for the adoption of new standard effective as of 1 January 2020G. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Equity instruments designated at fair value through profit or loss

Gains and losses on these financial assets are recognized in profit or loss directly. Dividends are recognized as income in the condensed interim consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in profit or loss. Equity investments designated at fair value through profit or loss are not subject to impairment assessment.

Financial assets at fair value through profit or loss are carried in the condensed interim consolidated statement of financial position at fair value with net changes in fair value recognized in the condensed interim consolidated statement of profit or loss.

6.5 The key factors affecting the business and performance of the Group

The real estate sector depends on multiple success factors, but at the same time, these factors may involve some risks that may affect the operations of companies. The following summarize the most important of these factors and their impact on Retal's operations:

6.5.1 Demographics

The demand for housing units depends on several factors, including population number, population growth rate, per capita income, average family size, age distribution and the percentage of youth in society, in addition to the requirements of some population groups and youth in particular that seek developed residential communities.

Therefore, any change that may occur to one of these factors could affect the demand, increasing or decreasing it, which will require special policies to harmonize the activities and results of the company's operations accordingly.

6.5.2 Economic factors

The volume of real estate investment and what it represents in the non-oil domestic product of the country, and the change in that percentage directly affects the investments that are made in the real estate sector.

In terms of the fluctuation of the supply market and the prices of materials, the change in the prices of building materials extends its impact on the implementation of projects and commitment and loyalty to customers in terms of re-examining the cash flows of projects and thus the speed of materials availability.

Changes in exchange rates if building materials are imported from abroad, which affects the cash flow for the implementation of the project.

The taxes imposed and their sudden rises during the project implementation period, which negatively affect the profitability of the project

6.5.3 Changes in the external regulatory environment

Regulatory changes that occur to the company may constitute constraints that limit the expansion and development of the company, the effect may be directly related to the company's sales, services provided, or higher levels of competition in the market. For example, it may be by increasing the percentage of value added on real estate transactions or requiring certain licenses to be obtained by real estate developers, or requirements for high localization rates. It may also be in imposing buyer protection regulations for land, which may constitute an obstacle to the real estate developer's business. Therefore, any change that may occur in the regulatory environment may fundamentally affect the company's financial position and future prospects.

6.5.4 Internal organizational factors

The smooth, sustainable, and balanced running of the company's operations and the achievement of high returns and revenues depends entirely on the stability of the quality of the production permanently and thus the continuation of the corporate reputation of the company and the increase of confidence and loyalty to the products offered by the company and what affects this is the stability of the internal cadres of the company starting from the functional organizational departments, technical departments on Sites, projects, and finally the qualified and trained technical labor, as some official decisions of the country or even internal decisions of departments may result in an unknown number of competencies and thus a change in the level of output.

6.5.5 Real estate sector initiatives

The real estate sector is one of the most important pillars of the economy in the Kingdom and is related to the development of multiple sectors and also contributes significantly to raising the GDP. Therefore, initiatives have been developed to promote and revitalize the work of the real estate sector by the country represented by the Ministry of Municipal and Rural Affairs and Housing, including, but not limited to, the Ejar program (to regulate the residential and commercial lease sector), and the Wafi program (to regulate off-plan sales and rental practices). Specifically, the success of the "**off-plan sales**" business model depends on the plans for population expansion in a specific city or residential area, and buyers' desire to purchase housing units in those areas and the achievement of high quality in the developed buildings. The company must exploit these positive outlets and expedite the use of them to achieve the best returns, as the company has previously practiced successful experiences that raised the level of revenues and helped the company to position itself among the big seven in the eastern region, for example, and the level of planning that the company is working on to expand the use of these government privileges to reach other markets in the Kingdom.

6.5.6 Diversification of the Company's investment portfolio

The Company's reliance on only one path of investments constitutes a high risk area and the non-distribution of revenues on multi-track investments within the real estate sectors that the company has worked on, such as the commercial, hotel and entertainment sectors, may have a negative impact on the company's revenues and profitability in the event of a sudden change in demand for one of the sectors However, the company's investment portfolio remains coherent to cover the deficit in any low level of demand for any of the offered products.

The percentage of revenues collected from the sale of housing units constitute 94% of the total revenues collected for the year 2020G, which explains the company's dependence on a large percentage of the revenues collected from the sale of housing units. Therefore, the dependence of a large percentage of the revenues on the sale of housing units means that the disruption of any of these projects or the decrease in the revenues of housing units in any of the future years may significantly affect the company's revenues and profitability, positively or negatively.

6.5.7 Increase of land prices

The high demand for housing units may serve the company positively and may in turn lead to an increase in land prices. Accordingly, the company's ability to absorb the increase in land prices depends on its ability to reduce the cost of construction by the same amount, to maintain the level of revenues and profitability of the company. Therefore, the inability of the company to manage the increase in the prices of the aforementioned land, may result in a decrease in the demand for housing units, which may negatively affect the profit margin of the company and its business.

6.5.8 COVID-19 outbreak or any infectious disease (unexpected risk management)

The impact of the emerging Corona virus pandemic has been negative on global economies, leading to disruption of business around the world, financial markets and global demand for oil and its prices. Therefore, during the year 2020G, the Company was able to implement a risk management plan, exploiting advance planning, accurate studies in advance of projects, and analyzing risks on adaptive capacity, which Retal worked on during the pandemic, which indicated a prior readiness to manage expected and unexpected risks and prepare the necessary policies to deal with them seriously to maintain the sustainability of the company and its resources in a balanced way.

An example of this is the Company's contribution to community work and appreciation of citizens' conditions, as it offered exceptional discounts to tenants at a value of SAR995k, in addition to giving discounts to Tadbeir customers worth SAR1.0 million to help reduce the impact of the COVID-19 pandemic in response to the government's appeal in this regard.

6.6 Summary of financial information and key performance indicators

The financial statements of the Group listed below have been extracted from the audited annual financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and from the reviewed interim financial statements for the nine-month period ended 30 September 2020G and 30 September 2021G.

The selected financial information and the Group's KPIs below should be read in conjunction with the information presented in the "**RISK FACTORS**" section, the "**Management Discussion, Analysis of the Financial Position and Results of Operations**" section and the audited consolidated financial statements for the financial years ended December 31 2018G, 2019G and 2020G and the reviewed consolidated financial statements for the nine-month period ended 30 September 2020G and 30 September 2021G prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom and other standards and issuances issued by the Saudi Organization for Auditors and Accountants, which were included in Section 20 ("**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORTS**") and other financial statements contained in any other part of this Prospectus.

Table (6-2): Summary of the financial information and key performance indicators of the Group for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed
Revenue	209,010	456,536	587,451	321,250	613,347
Cost of revenue	(178,368)	(379,134)	(463,142)	(263,833)	(468,241)
Gross profit	**30,642**	**77,402**	**124,308**	**57,417**	**145,107**
General and administrative expenses	(20,969)	(23,215)	(26,432)	(19,294)	(28,845)
Selling and marketing expenses	(4,388)	(6,317)	(7,702)	(7,625)	(11,331)
Operating profit	**5,285**	**47,870**	**90,175**	**30,497**	**104,930**
Finance costs	(7,088)	(4,961)	(1,924)	(1,749)	(1,873)
Dividend income from investments at fair value through profit or loss	4,666	1,122	-	-	-
Share of results of associates	(990)	(3,064)	12,827	15,127	3,815
Gain on the sale of investments at fair value through profit or loss	-	22,462	374	374	439
Other income, net	4,178	894	1,892	1,387	3,478
Commission income	-	-	-	-	-
Profit before zakat	**6,050**	**64,323**	**103,344**	**45,637**	**110,788**
Zakat	(3,311)	(4,630)	(4,711)	(2,700)	(5,937)
Profit on sale of a subsidiary, net of zakat	-	-	-	-	14,961
Profit for the year	2,739	59,692	98,634	42,937	119,813
Balance sheet					
Total current assets	298,266	319,961	607,655	-	949,735
Total non-current assets	222,065	355,797	561,944	-	629,510
Total assets	520,331	675,757	1,169,599	-	1,579,245
Total current liabilities	261,535	307,558	573,592	-	901,842
Total non-current liabilities	128,587	22,032	77,221	-	113,554
Total liabilities	**390,122**	**329,590**	**650,813**	**-**	**1,015,396**
Total Equity	**130,210**	**346,167**	**518,786**	**-**	**563,849**
Total liabilities and equity	**520,331**	**675,757**	**1,169,599**	**-**	**1,579,245**

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed
Cash Flow Statement					
Net cash from (used in) operating activities	(38,007)	(106,284)	12,907	175,311	354,635
Net cash from (used in) investing activities	49,127	42,820	(171,146)	(2,812)	(122,909)
Net cash from (used in) financing activities	71,511	(11,954)	213,582	(3,422)	39,571
Cash and cash equivalent at the beginning of the year	2,425	85,055	4,112	4,112	9,975
Less: the change in the restricted bank balance	-	(5,525)	(49,481)	(39,644)	(262,500)
Cash and cash equivalents at the end of the year	**85,055**	**4,112**	**9,975**	**133,545**	**18,772**
Key performance indicators					
Gross profit margin (%)	14.7%	17.0%	21.2%	17.9%	23.7%
Net Profit Margin (%)	1.3%	13.1%	16.8%	13.4%	19.5%
Return on Assets (%)	0.6%	10.0%	10.7%	-	11.6%
Return on Equity (%)	2.1%	25.1%	22.8%	-	29.5%

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

6.7 Results of operations for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

6.7.1 Statement of profit and loss and other comprehensive income

Table (6-3): Summary of financial information and key performance indicators for the Group for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G -30 September 2021G
Revenues	209,010	456,536	587,451	321,250	613,347	118.4%	28.7%	67.6%	90.9%
Revenue cost	(178,368)	(379,134)	(463,142)	(263,833)	(468,241)	112.6%	22.2%	61.1%	77.5%
Gross profit	**30,642**	**77,402**	**124,308**	**57,417**	**145,107**	**152.6%**	**60.6%**	**101.4%**	**152.7%**
General and administrative expenses	(20,969)	(23,215)	(26,432)	(19,294)	(28,845)	10.7%	13.9%	12.3%	49.5%

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G -30 September 2021G
Selling and marketing expenses	(4,388)	(6,317)	(7,702)	(7,625)	(11,331)	44.0%	21.9%	32.5%	48.6%
Operating profit	**5,285**	**47,870**	**90,175**	**30,497**	**104,930**	**805.8%**	**88.4%**	**313.1%**	**244.1%**
Finance costs	(7,088)	(4,961)	(1,924)	(1,749)	(1,873)	(30.0%)	(61.2%)	(47.9%)	7.1%
Dividends from investments at fair value through statement of profit or loss	4,666	1,122	-	-	-	(76.0%)	(100.0%)	(100.0%)	na
Share of results of associates	(990)	(3,064)	12,827	15,127	3,815	209.4%	(518.7%)	na	(74.8%)
Gain on the sale of investments at fair value through profit or loss	-	22,462	374	374	439	na	(98.3%)	na	17.3%
Commission income	-	-	-	-	-	na	na	na	na
Profit on sale of a subsidiary, net of Zakat	-	-		-	-	na	na	na	na
Other income, net	4,178	894	1,892	1,387	3,478	(78.6%)	111.7%	(32.7%)	150.7%
Profit before zakat	**6,050**	**64,323**	**103,344**	**45,637**	**110,788**	**963.2%**	**60.7%**	**313.3%**	**142.8%**
Zakat	(3,311)	(4,630)	(4,711)	(2,700)	(5,937)	39.8%	1.7%	19.3%	119.9%
Profit for the year	**2,739**	**59,692**	**98,634**	**42,937**	**119,813**	**2079.6%**	**65.2%**	**500.1%**	**179.0%**
As a % of revenue							**ppt.**		
Gross profit	14.7%	17.0%	21.2%	17.9%	23.7%	2.3	4.2	6.5	5.8
General and administrative expenses	10.0%	5.1%	4.5%	6.0%	4.7%	(4.9)	(0.6)	(5.5)	(1.3)
Selling and marketing expenses	2.1%	1.4%	1.3%	2.4%	1.8%	(0.7)	(0.1)	(0.8)	(0.5)
Operating profit	2.5%	10.5%	15.4%	9.5%	17.1%	8.0	4.9	12.8	7.6
Net profit before zakat	2.9%	14.1%	17.6%	14.2%	18.1%	11.2	3.5	14.7	3.9
Net profit for the year	**1.3%**	**13.1%**	**16.8%**	**13.4%**	**19.5%**	**11.8**	**3.7**	**15.5**	**6.2**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Revenue

Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received. Revenue is recognized over time based on the cost-to-cost method. The related costs are recognized in profit or loss when they are incurred. Payments terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

Revenue is mainly generated through (i) construction and development contracts related to off-plan sales, or to lands owned by third parties, (ii) sale of real estate units developed on lands owned by the Group, and (iii) facility management which is linked to maintenance contracts with external and related parties, and (iv) rent contracts, in addition to other income.

Revenue increased by 118.4% from SAR209.0 million in 2018G to SAR456.5 million in 2019G, driven by the growth in revenues from goods and services sold, mainly: (1) the construction and development contracts revenue (by 73. 1% from SAR164.4 million in 2018G to SAR284.5 million in 2019G). This is largely related to the partnership contracts between Retal Urban Development and the Ministry of Municipal and Rural Affairs and Housing to develop the Nesaj Town 1 project, where the revenues generated from this project increased during this period as a result of the increase in the percentage of completion from 16.0% to 61.0% during this period, (2) The increase in revenues generated from the sale of real estate units (by 378.2% from SAR29.0 million in 2018G to SAR138.7 million in 2019G) driven by the sale of several residential units in different projects, and (3) the increase in facility management revenue (by 99.9% from SAR12.2 million in 2018G to SAR24.4 million in 2019G) following the signature of new contracts, and (4) the increase in other revenue by 344.5% from SAR1.4 million in 2018G to SAR6.2 million in 2019G.

Revenue increased by 28.7% from SAR 456.5 million in 2019G to SAR587.5 million in 2020G, as a result of the increase in (1) construction and development contracts revenue (by 42.4% from SAR284.5 million in 2019G to SAR405.0 million in 2020G) following the completion of 30.0% of the construction works in Nesaj Town 2 project and the recognition of the underlying revenues. This was offset by the decrease in revenues from Nesaj Town 1 due to the completion of most of the construction works during 2019G, in addition to (2) the increase in revenue resulting from the sale of real estate units (by 5.4% from SAR138.7 million in 2019G to SAR146.3 million in 2020G) following the sale of Al Aziziyah Lands, Al Maali Villas, and Retal Square units. This was partially offset by the decrease in revenues from Al Qayrawan 1 and Al Qayrawan 2, and Al Dawahai project (SAR15.6 million). And (3) the increase in revenue from the facility management (by 17.8% from SAR24.4 million in 2019G to SAR28.8 million in 2020G following the increase in revenues generated from related parties and third parties, in addition to (4) the increase in rental contract revenues by 114.5% from SAR2.7 million in 2019G to SAR5.8 million in 2020G. This was partially offset by the decrease in other revenues (-73.9%, from SAR6.2 million in 2019G to SAR1.6 million in 2020G) the end of the contract with the Saudi Entertainment Co (-SAR3.3 million) and the marketing for al Qayrawan (-SAR1.0 million), partially offset by the continuation of Contract Services for al Maali (+SAR1.6).

Revenue increased by 90.9% from SAR321.3 million in the nine-month period ended 30 September 2020G to SAR613.3 million in the nine-month period ended 30 September 2021G, mainly due to an increase in construction and development contracts revenue (by 162.4% from SAR214.7 million in the nine-month period ended 30 September 2020G to SAR563.5 million in the nine-month period ended 30 September 2021G) due to the increase in the revenue generated from Nesaj Town 2, following the increase in the percentage of completion from 11% to 75% over the same period. This was offset by the decrease in the revenue generated from Nesaj Town 1 (-SAR70.8 million) on the back of the completion of the project during 2020G and a partial decrease in the revenue generated from the sale of real estate units (by 73.2% from SAR81.7 million in the nine-month period ended 30 September 2020G to SAR21.9 million in the nine-month period ended 30 September 2021G) due to the decrease in the sales of Maali Villas (-SAR55.6 million), Al Qayrawan 1 (-SAR6.9 million) and Al Qayrawan 2 (-SAR5.4 million) following the decrease in the overall number of units sold by 33.

Cost of revenue

Cost of revenue is primarily related to the cost of construction and development contracts, which constitutes an average of 71% of the total cost of revenues, while the cost of revenue of real estate units constitutes an average of 21% of the total during the 2018G, 2019G, 2020G and in the nine-month period ended 30 September 2020G and 30 September 2021G period. Cost of revenue increased by 112.6% from SAR178.4 million in 2018G to SAR379.1 million in 2019G driven by the increase in cost of revenue of real estate units (+SAR102.4 million), and the cost of construction and development contracts (+SAR86.7 million). The cost of revenue increased by 22.2% from SAR379.1 million in 2019G to SAR463.1 million during 2020G due to the increase in construction and development contracts cost (+SAR98.1 million).

The cost of revenue increased by 112.6% from SAR178.4 million in 2018G to SAR379.1 million in 2019G due to the increase in unit and land costs by +SAR102.4 million following the sale of 41 units in Al Qayrawan 1, 23 units in Al Qayrawan 2 and 23 units in Al Dawahai project; in addition to the increase in the turnkey contractors' costs (+SAR56.3 million) and the increase in the cost of raw materials (+SAR22.7 million) as a result of the construction works related to Nesaj Town 1, where 61% of the project has been completed in 2019G.

Cost of revenue increased by 22.2% from SAR379.1 million in 2019G to SAR463.1 million in 2020G as a result of:

(1) The increase in turnkey contractors' costs (+SAR72.1 million) mainly related to the contracting works for Nesaj Town 2. This was partially offset by the decrease in cost of turnkey contractors related to Nesaj Town 1, following the completion of the project during 2020G. (2) The increase in raw materials cost (+SAR17.7 million) related to Nesaj Town 2. This was partially offset by the decrease in the unit and land costs (-SAR15.1 million) following the decrease in the number of villas sold in 2020G (96 villas were sold in 2019G compared to 54 villas in 2020G). In addition to a decrease in maintenance, rent, and other expenses (-SAR5.6 million) because of the drop in manpower, (-SAR1.8 million), operation & maintenance (-SAR1.3 million), and the maintenance cost related to Retal Square (-SAR1.1 million).

The cost of revenue increased by 77.5% from SAR263.8 million in the nine-month period ended 30 September 2020G to SAR468.2million in the nine-month period ended 30 September 2021G driven by:

1- The increase in the turnkey contractors' costs (+SAR226.2 million) related to signing contracts with Al Fanar and Distinct Architecture for the construction of 599 housing units in Nesaj Town 2, coupled with an increase in the costs of pre-cast tiles (+SAR37.3 million), carpentry (+SAR14.2 million), and plastering works and materials (+SAR15.3 million) largely related to Nesaj Town 2 costs, as the project kicked-off at the end of Q2-20. In addition, Nesaj Town 2 is considered to be four times larger than Nesaj Town 1 which was completed during 2020G.

2- The increase in the raw materials cost (+SAR23.0 million) as a result of the increase in concrete (+SAR5.6 million), steel (+SAR3.1 million), bricks (+SAR3.3 million), tiles and ceramics (+SAR5.3 million) cost, which are all related to Nesaj Town 2 since the project kicked-off at the end of Q2-20.

This increase was partially offset by the decrease in the unit and land cost by (-SAR57.0 million) due to a decrease in the number of villas sold in Maali Project from 27 villas during the nine-month period ended 30 September 2020G to only one villa during the nine- month period ended 30 September 2021G, this was coupled with the slowdown of the sales activity in Al Qayrawan 1 (-SAR6.4 million), Al Qayrawan 2 (-SAR5.3 million), Al Dawahi Block #44 (-SAR1.9 million) and Al Safa Project (-SAR750 thousand) during the nine-month period ended 30 September 2021G, as all the units were sold on these projects in the previous years.

General and administrative expenses

General and administrative expenses consist mainly of employees' salaries and related benefits (c. 25% of the total during 2018G, 2019G, 2020G and the nine-month period ended 30 September 2020G and 30 September 2021G), and right-of-use assets depreciation, maintenance among others. General and administrative expenses increased by 10.7% from SAR20.9 million in 2018G to SAR23.2 million in 2019G (+SAR2.2 million) due to an increase in the depreciation of right-of-use assets (+SAR4.7 million) following the implementation of IFRS 16 in January 2019G and recording a depreciation cost associated with the right of use assets after capitalization of the lease contracts. In addition to the increase in employees' salaries and related benefits (+SAR1.2 million), and the increase in travel expenses (+SAR0.3 million). This was partially offset by the decrease in other expenses (-SAR4.3 million) on the back of the decrease in rent (-SAR4.9 million) following the implementation of IFRS16, where some rent contracts were capitalized and recorded as depreciation on the income statements instead of recording them within the rental costs.

General and administrative expenses increased by 13.9% from SAR23.2 million in 2019G to SAR26.4 million in 2020G, mainly driven by (1) an increase in depreciation (+SAR947 thousand), as a result of moving to the new building for which new furniture and IT equipment had to be installed, (2) an increase in maintenance and other benefits (+SAR682 thousand) incurred on the new RBC building and the new warehouse; (3) SAR1.0 million increase in other G&A expenses attributed to the increase in utilities (+SAR274 thousand), due to moving to a bigger head office leading to higher utilities expenses, and (4) an increase in IT expenses (+SAR401 thousand) related to the new equipment purchased in 2020G such as laptops and software. This was partially offset by a decrease in rent (-SAR545 thousand) following the move from leased offices to a new owned building.

General and administrative expenses increased by 49.5% from SAR19.3 million in nine-month period ended 30 September 2020G to SAR28.8 million in the nine-month period ended 30 September 2021G as a result of the increase in the employees' salaries and related benefits (+SAR3.9 million) following the increase in the number of employees over the same period, coupled with the increase in the depreciation expense (+SAR1.8 million) as a result of the additions to fixed assets related to the relocation to the new offices in Jul-20, in addition to a bad debt provision booked over the same period, amounting to SAR2.3m in YTD21 and mainly related to a Zakat receivable for BCC (SAR1.2m) and another receivable for Retal in connection with the sale of Wejha (SAR1.0m). We understand from Management that both claims are being discussed with the ZATCA

Selling and marketing expenses

Selling and marketing expenses comprise of marketing, advertising, maintenance and after-sales expenses, employee costs, rent, depreciation, and amortization. Selling and marketing expenses increased by 44.0% from SAR4.4 million in 2018G to SAR6.3 million in 2019G as a result of the increase in maintenance and after-sales expenses (+SAR1.4 million) on the back of the increase in sales of units in 2018G and the increase in employees' salaries and related benefits (+SAR0.4 million).

Selling and marketing expenses increased by 21.9% from SAR6.3 million in 2019G to SAR7.7 million in 2020G as a result of the increase in maintenance and after-sales expenses (+SAR1.8 million) following the increase in number of units sold, and the increase in others (+SAR268 thousand) mainly driven by the increase in corporate events costs. This was offset by a partial decrease in employees' salaries & related benefits (-SAR0.9 million).

Selling and marketing expenses increased by 48.6% from SAR7.6 million in the nine-month period ended 30 September 2020G to SAR11.3 million in the nine-month period ended 30 September 2021G due to a one-off community service expense (+SAR1.8 million) incurred by the Group in connection with a newly introduced social responsibility program whereby the Group awarded a villa to a former football player of the Saudi national team as part of their marketing campaign (+SAR1.2 million), as well as a contribution to the Sakan Development Program (+SAR250 thousand). This was coupled with an increase in marketing and advertising expenses (+SAR1.7 million) related to the video that the Group filmed for National Day.

Finance costs

Finance costs decreased by 30.0% from SAR7.1 million in 2018G to SAR5.0 million in 2019G following the settlements made by Retal to Al-Fozan Holding.

Finance costs decreased by 61.2% from SAR5.0 million in 2019G to SAR1.9 million in 2020G on the back of the drop in the SIBOR rate given that the interest rate charged to the shareholder loan is benchmarked to SIBOR rate.

Finance costs increased slightly from SAR1.8 million in the nine-month period ended 30 September 2020G to SAR1.9 million in the nine-month period ended 30 September 2021G following the decrease in the commission account in connection with the loan provided by Al-Fozan Holding Company from SAR1.6 million in the nine-month period ended 30 September 2020G to SAR135 thousand in the nine-month period ended 30 September 2021G as a result of the repayment of a portion of the due balance. This was partially offset by an increase in the finance costs as a result of replacing the loan granted from Al-Fozan with loans from commercial banks at a higher profit rate.

Dividend income from investments at fair value through profit or loss

Dividend income from investments at fair value through profit or loss amounted to SAR4.7 million in 2018G and was related to dividends from Derayah Fund. Dividend income from investments at fair value through profit or loss decreased to SAR1.1 million in 2019G given that no dividends were distributed by Deraya in 2019G. Dividend income from investments at fair value through profit or loss decreased by 100.0% from SAR1.1 million in 2019G to zero in 2020G and in the nine-month period ended 30 September 2021G following the sale of the Group's entire stake in Derayah.

Share of results of associates

Share of results of associates decreased by 209.4% from a loss of SAR990 thousand in 2018G to a loss of SAR3.1 million in 2019G due to the closing of Al Qayrawan fund with a loss of SAR3.6 million in 2019G. This was partially offset by the increase in shares in Maali fund with a profit of SAR576 thousand.

Share of results of associates increased by 518.7% from a loss of SAR3.1 million in 2019G to a profit of SAR12.8 million in 2020G due to the Group's acquisition of shares in Saudi Tharwa (39.5%), which realised a profit of SAR15.4 million. This was partially offset by a loss in Al Maali fund of SAR2.5 million in 2020G.

Share of results of associates decreased by 74.8% from SAR15.1 million in the nine-month period ended 30 September 2020G to SAR3.8 million in nine-month period ended 30 September 2021G, following the decrease in the net profit of Tharwa from SAR44.7 million to SAR9.7 million over the same period, subsequently decreasing the share from SAR17.7 million in nine-month period ended 30 September 2020G to SAR3.8 million in nine-month period ended 30 September 2021G.

Gain on the sale of investments at fair value through profit or loss

Gain on the sale of investments at fair value through profit or loss increased from zero in 2018G to SAR22.5 million in 2019G following the purchase and subsequent sale of Aramco shares.

The gain on the sale of investments at fair value through profit or loss amounted to SAR374 thousand in 2020G due to the purchase and sale of Sulaiman Habib shares.

The gain on the sale of investments at fair value through profit or loss increased from SAR374 thousand in the nine-month period ended 30 September 2020G to SAR439 thousand in the nine-month period ended 30 September 2021G. This increase was due to the purchase and subsequent sale of Sulaiman Habib shares in the nine-month period ended 30 September 2020G and the purchase and subsequent sale of Theeb Rent a Car shares, Tanmiah Food Company and Al Khoreyf Shares in the nine-month period ended 30 September 2021G.

Commission income

The land was previously owned by Wejha Co. and was disposed of along with the company. Commission income was nil throughout the period under consideration.

Gain on sale of disposal of subsidiary (Wejha Co.)

Gain on sale of disposal of subsidiary (Wejha Co.) amounted to SAR15.0 million in the nine-month period ended 30 September 2021G and is related to the Group's sale of 100% of its stake in Wejha Co. to the Alpha Saudia Equity fund.

Other income, net

Other income, net amounted to SAR4.2 million in 2018G, and mainly related to the reversal of the zakat provision that was recorded during 2016G and 2017G. Other income, net amounted to SAR894 thousand in 2019G, and mainly related to revenues from the sale of scrap and revenues from the Saudi Human Resources Development Fund. Other income, net amounted to SAR1.9 million in 2020G, and related to the incentives obtained by the Group during the year, in addition to the discounts granted on the lease contracts (the Group as a tenant) due to the outbreak of the COVID-19 pandemic.

Other income, net increased from SAR1.4 million in the nine-month period ended 30 September 2020G to SAR3.5 million in nine-month period ended 30 September 2021G driven by a rebate from Alpha fund (+SAR2.6 million) in connection with an amount equivalent to the fees applicable to the pro-rata cash contribution of the fund, partially offset by a decrease in the incentive from RBC (-SAR500 thousand) pertaining to the one-off income given due to completing the RBC building ahead of the planned time, which had been booked in Q2-20.

Zakat

Zakat increased from SAR3.3 million in 2018G to SAR4.6 million in 2019G and further increased to SAR4.7 million in 2020G in line with the increase in the zakat base over the same period.

Zakat increased by 119.9% from SAR2.7 million in the nine-month period ended 30 September 2020G to SAR5.9 million in the nine-month period ended 30 September 2021G in line with the increase in the Zakat base over the same period.

6.7.2 Revenue - by type of good or service

Table (6-4): Revenues by type of customers for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Construction and development contracts revenue	164,366	284,465	404,983	214,710	563,463	73.1%	42.4%	57.0%	162.4%
Revenues from the sale of real estate units/projects	29,015	138,735	146,270	81,698	21,865	378.2%	5.4%	124.5%	(73.2%)
Facility management revenue	12,212	24,410	28,744	20,687	22,721	99.9%	17.8%	53.4%	9.8%
Rentcontracts revenue	2,022	2,720	5,834	4,154	5,299	34.5%	114.5%	69.9%	27.5%
Other revenue	1,396	6,205	1,620	-	-	344.5%	(73.9%)	7.7%	na
Total revenue from contracts with customers	**209,010**	**456,536**	**587,451**	**321,250**	**613,347**	**118.4%**	**28.7%**	**67.6%**	**90.9%**

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
As a percentage of revenue					**Per thousands**				
Construction and development contracts revenue	78.6%	62.3%	68.9%	66.8%	91.9%	(16.3)	6.6	(9.7)	25.0
Revenues from the sale of real estate units/projects	13.9%	30.4%	24.9%	25.4%	3.6%	16.5	(5.5)	11.0	(21.9)
Facility management revenue	5.8%	5.3%	4.9%	6.4%	3.7%	(0.5)	(0.5)	(0.9)	(2.7)
Rentcontracts revenue	1.0%	0.6%	1.0%	1.3%	0.9%	(0.4)	0.4	0.0	(0.4)
Other revenue	0.7%	1.4%	0.3%	0.0%	0.0%	0.7	(1.1)	(0.4)	-

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Table (6-5): Revenues by project for the financial years ended 31 December 31, 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Management Account	2019G Management Account	2020G Management Account	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2021G Management Account
Nesaj Town 2	-	-	307,095	113,562	464,628
Nesaj Town Riyadh	-	-	5,237	-	53,173
Nesaj Town – Khobar	-	-	-	-	26,994
Ayala Al-Nakheel	-	-	-	-	11,429
Al Aziziya lands	-	-	49,469	-	9,648
Retal Square	6,152	4,950	9,435	5,485	6,717
Maali Villas	-	-	70,452	61,149	5,500
Khobar Lakes	3,250	3,502	4,170	3,165	3,404
DHL contract	-	378	1,451	699	3,091
Nice (Rent showroom)	-	-	3,208	2,246	2,888
Alshaya Group	-	168	1,845	1,191	2,874
Nice project	1,071	3,591	3,125	2,217	1,999
Nesaj Town 1	60,661	242,173	70,103	72,491	1,674
Other income	137,876	202,774	61,861	59,266	19,328
Total	**209,010**	**456,536**	**587,451**	**321,250**	**613,347**

SAR in 000s	2018G Management Account	2019G Management Account	2020G Management Account	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2021G Management Account
As a percentage of total revenue					
Nesaj Town 2	0.0%	0.0%	52.3%	35.3%	85.9%
Nesaj Town - Riyadh	0.0%	0.0%	0.9%	0.0%	8.7%
Nesaj Town - Khobar	0.0%	0.0%	0.0%	0.0%	4.4%
Ayala Al-Nakheel	0.0%	0.0%	0.0%	0.0%	1.9%
Al Aziziya lands	0.0%	0.0%	8.4%	0.0%	1.6%
Retal Square	2.9%	1.1%	1.6%	1.7%	1.1%
Maali Villas	0.0%	0.0%	12.0%	19.0%	0.9%
Khobar Lakes	1.6%	0.8%	0.7%	1.0%	0.6%
DHL contract	0.0%	0.1%	0.2%	0.2%	0.5%
Nice (Rent showroom)	0.0%	0.0%	0.5%	0.7%	0.5%
Alshaya Group	0.0%	0.0%	0.3%	0.4%	0.5%
Nice project	0.5%	0.8%	0.5%	0.7%	0.3%
Nesaj Town 1	29.0%	52.9%	11.9%	22.6%	0.3%
Other income	66.0%	44.3%	10.5%	18.4%	3.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Management account

Construction and development contract revenue

Construction and development contract revenue accounts for 68.9% of the total revenue during the 2020G, including off-plan sales of units, on lands owned by third parties, which aim to market and sell the real estate unit before or during the development or construction stage. This is done by putting the description of the house plan or a building model in its final form, a mock-up villa, before the completion of the development or construction, and therefore ensure the commitment of the real estate developer to implement according to the model and agreed specifications. The construction of these projects has a time span of 1 to 3 years.

Revenue from construction and development contracts mainly revolves around projects that are developed in partnership with the Ministry of Municipal and Rural Affairs and Housing ("**MoMRAH**", formerly the Ministry of Housing) and which are marketed under the "**Nesaj Town**" brand (Nesaj Town 1 and 2, and Nesaj Town Riyadh for the period under review), where the tenders of the ministry were awarded to the Group. Accordingly, the Ministry provided the Group with lands for development and to sell the units and lands on which these projects are developed to the beneficiaries of the "**Wafi**" housing program (launched by MoMRAH and the Real Estate Development Fund in 2017G to allocate 280,000 housing products across the Kingdom Saudi Arab).

Construction and development contracts revenue is recognized based on the Percentage of Completion method ("**PoC**"). Management records actual costs incurred, along with the respective revenue. Payments are made over time and include long term advances, progress payments, and payment of retentions one or two years after the completion of the project. The duration of the project depends on the size of the project and the complexity of the design and have a time span of 1 to 3 years.

Construction and development contracts revenue accounted for 78.6%, 62.3%, and 68.9% of the total revenues in 2018G, 2019G and 2020G, respectively, and they accounted for 66.8% and 91.9% in the nine-month period ended 30 September 2020G and 30 September 2021G, respectively. It amounted to SAR164.4 million in 2018G and increased by 73.1% to SAR284.5 million in 2019G due to the increase in revenues generated from Nesaj Town 1 as a result of the increase in the percentage of completion of the project from 16.0% to 62.0% during this period. This was partially offset by the decrease in the revenue generated from the Club House project and Al-Maali project, due to the completion of the construction works during 2018G.

Construction and development contracts revenue increased by 42.4% in 2020G, from SAR284.5 million in 2019G to SAR405.0m, as a result of the kickoff of Nesaj Town 2 in 2020G resulting in an increase in revenue by SAR307.1 million corresponding to a c. 30% completion of the project. However, this was partially offset by the decrease in revenue from Nesaj Town 1 as the majority of the units were completed and sold in 2019G.

Construction and development contracts revenue increased by 162.4% from SAR214.7 million in the nine-month period ended 30 September 2020G to SAR563.5 million in the nine-month period ended 30 September 2021G, mainly due to the increase in the revenue from Nesaj Town 2 by SAR351.1m, corresponding to an increase in the percentage of completion from 11% in the nine-month period ended 30 September 2020G to 75% in the nine-month period ended 30 September 2021G. This was coupled with an increase in the revenue of Nesaj Town Riyadh (RUH) by SAR53.2 million which kicked-off during the nine-month period ended 30 September 2021G (PoC of 12% in the nine-month period ended 30 September 2021G as compared to nil in the nine-month period ended 30 September 2020G). This was also due to the increase in revenue from Nesaj Town Khobar by SAR27.0 million where the construction works began during the nine-month period ended 30 September 2021G, and it is comprised of 111 units (PoC of 20%) and from Ayala Al-Nakheel (+SAR11.4 million).

The increase in construction and development contracts revenue was partially offset by the decrease in revenue from Nesaj Town 1 by SAR70.8 million as the project was 100% completed in 2020G. We note however, that the Group recognized a revenue of SAR1.7 million in the nine-month period ended 30 September 2021G pertaining to additional maintenance works performed on Nesaj Town 1 in order to handover the residential units.

Revenue from sale of real estate units

Revenue from sale of real estate units differ from the revenue from construction and development contracts in terms of ownership of the lands on which the projects are developed. Revenue from the sale of real estate units on the lands owned by the Group are recorded within the revenue from the sale of real estate units, while the revenue from the sale of real estate units on lands owned by other parties considered construction and development contracts revenues. Revenue from the sale of real estate units/projects represent an average of 19.6% of the total revenues during 2018G, 2019G 2020G, and the nine-month period ended 30 September 2021G and 30 September 2021G. Revenue from the sale of real estate units/projects relate to the units built on land owned by the Group, where the units built on the Group's land are capitalized into units under development and upon completion of the registration process of the real estate unit, its ownership is transferred in addition to the ownership of the land on which the project was developed to the buyer. Revenue from the sale of real estate units is recognized once the legal procedures related to the sale of the real estate unit are completed and ownership is transferred to the buyer. Accordingly, the revenue is recorded according to the selling price, and then the risks and rewards related to the real estate unit are transferred to the buyer.

Revenue from sale of real estate increased by 378.2% from SAR29.01 million in 2018G to SAR138.7 million in 2019G mainly driven by the increase in Al Qayrawan 1 and 2 residential villas (41 and 24 units, respectively) which were all sold to individual customers, Dawahai Project (+SAR9.4 million) as a result of an increase in the price per sqm from SAR2,480 to SAR2,536 as well as an increase in the no. of units sold from 6 in FY18 to 13 in FY19, Al Dawahai Block #44 which had an increase in the no. of units sold, coupled with the sale of 4 plots in Al Qayrawan land at an average of SAR1.4 million each (+SAR5.5 million).

Revenue from sale of real estate units further increased to SAR146.3 million in 2020G (increase of 5.4%) on the back of the sale of 31 villas in Al-Maali project.

Revenue from sale of real estate decreased by 73.2% from SAR81.7 million in the nine-month period ended 30 September 2020G to SAR21.9 million in the nine-month period ended 30 September 2021G mainly due to the decrease in the units sold of Maali Villas, from 27 units sold in the nine-month period ended 30 September 2020G to only one unit sold in the nine-month period ended 30 September 2021G (-SAR55.7 million). In addition, Al Qayrawan 1 and 2, Al Dawhai Project Block #44, Al Safa project were fully sold in 2020G, therefore, these projects did not generate any revenue in the nine-month period ended 30 September 2021G. This decrease was partially offset by the sale of Al Aziziyah lands (1 plot) for SAR9.6 million in the nine-month period ended 30 September 2021G.

Facility management revenue

The Group, through its subsidiaries, Tadbeir Co. Ltd., and Tadbeir Real Estate Co. Ltd., generates revenue by providing various services to clients (including related companies and third-party companies) such as maintenance, property management and others. Whereas Tadbeir concludes annual contracts with clients, and revenue is generated on a monthly basis for fixed revenue services (if the service meets the requested conditions and KPIs as per the contract). As for the non-fixed contracts (often associated with maintenance services where the Group only purchases spare parts for the customer), the revenue is generated over the contractual period and based on the performance indicators contained in the contract. The operational team performs a monthly reconciliation of the services provided with the key performance indicators and accordingly the financial team records the revenue. Property management contracts are for a period of one year, subject to renewal upon the approval of both parties.

Facility management revenue increased by 99.9% from SAR12.2 million in 2018G to SAR24.4 million 2019G, due to the increase in property management revenue generated from third parties from SAR6.4 million SAR14 million. (122.8%) during this period as a result of signing new contracts with several corporate customers for the following projects: Jeddah Gate (+SAR8.4 million) which has a contract for two years from Jan-19 to Dec-20, Nice Project (+SAR2.5 million) which stared in Q4'18 driving the increase in 2019G revenue as compared to 2018G, Durat Al-Nakheel Land (+SAR2.0 million) which began in 2018G, however the actual sales were done in 2019G and 2020G, Fozan Eskan (+SAR1.1 million), and partially offset by a decrease in Netaj Project (-SAR3.1 million) which was a maintenance project and was completed in 2018G, and by a decrease in Deryah buildings (-SAR1.4 million) which was a facility and property management agreement in 2018G, however when all the showrooms got occupied the property management service was finalised, and the facility management remained the sole revenue generated in 2019G.

Facility management revenue increased further by 17.8% to SAR28.7 million 2020G, as a result of the increase in revenue generated from a third party by 29.4% related mainly to the services provided to Al Shaya Trading in addition to the new contracts with DHL, Corniche Park (+SAR752 thousand), and Khobar Lakes (+SAR668 thousand) which was signed with Al Khobar Lakes Development Co., where Tadbeir will provide facility management services to Khobar lakes housing. This was offset by a decrease in the revenue generated from Nice and Durat Al-Nakheel projects as a result of COVID-19 pandemic, as the Group did not record any revenue during the months of April and June 2020G.

Revenue from property management increased by 9.8% from SAR20.7 million in the nine-month period ended 30 September 2020G to SAR22.7 million in the nine-month period ended 30 September 2021G following the renewal of the DHL contracts (+SAR2.4 million) in 2021G; coupled with an increase in Al Shaya Trading revenue (+SAR1.7 million) following the increase in work orders issued for maintenance, and an increase in the revenue generated from Olaya Mall contract (+SAR1.3 million) which is a new project that started in the nine-month period ended 30 September 2021G related to cleaning services. This was partially offset by a decrease in revenue from Jeddah Gate contract (-SAR6.5 million), upon winding down the contract.

Rent contracts revenue

Rent contracts revenue mainly includes rental income generated from different types of asset/ real estate such as residential villas, shops, offices, showrooms, and apartments. Lease income is recognized on an accrual basis based on the substance of the lease agreements and the transactions presented. Additionally, all contracts are tacitly renewed prior to expiration unless either party informs the other of the cancellation in advance.

Rent contracts revenue increased slightly by 34.5% from SAR2.0 million in 2018G, to SAR2.7 million in 2019G, on the back of leasing 9 additional properties (3 stores, 4 apartments and 2 residential villas).

Revenues from rental contracts increased from SAR2.7 million 2019G, by 114.5%, to reach SAR5.8 million 2020G mainly driven by the increase in revenue from Nice Rental which was secured as a new customer in 2020G. The Group granted annual exceptional discounts on this contract amounting to SAR600 thousand to mitigate the effects of the Covid-19 pandemic.

Rent contracts revenue increased by 27.5% from SAR4.2 million in the nine-month period ended 30 September 2020G to SAR5.3 million in the nine-month period ended 30 September 2021G mainly due to an increase in the revenue from Nice Rental showroom (+SAR642 thousand) as a result of the increase in price per leasable area coupled with the increase in number of rental units of the Valley Rental from 9 to 13 over the nine-month period ended 30 September 2021G and 30 September 2021G (+SAR601 thousand) respectively, coupled with securing 9 rentals in Netag Building (+SAR323 thousand) in the nine-month period ended 30 September 2021G for a period of 5 years. However, this increase was partially offset by the decrease in the rent of Retal Square by SAR241 thousand as a result of the decrease in the number of leased units from 14 in the nine-month period ended 30 September 2020G to 9 in the nine-month period ended 30 September 2021G following the sale of a number of units that are used to be leased.

Other revenue

Other revenue relates primarily to marketing services provided by the Group. Other revenue increased by 344.5% from SAR1.4 million in 2018G to SAR6.2 million in 2019G during this period on the back of two projects acquired by the Group during 2019G with Al-Maali and Al-Qayrawan Fund Marketing (the Group owns a percentage of them) to carry out marketing campaign and sell units against a percentage of the selling price. In addition to a one-off project with "**Saudi Entertainment Company**" during 2019G. Other revenue decreased by 73.9% and amounted to SAR1.6 million during 2020G, mainly due to the expiry of marketing contracts with SEC, and the completion of the marketing contract revenue from Al Qayrawan Fund in 2020G. The Group did not record any other revenue in the nine-month period ended 30 September 2020G and 2021G.

6.7.3 Revenue - by type of customer

Total revenue increased by 118.4% from SAR209.0 million in 2018G to SAR456.5 million in 2019G mainly due to the increase in construction and development contracts revenue from SAR164.4 million in 2018G to SAR284.5 million in 2019G (+SAR120.1 million, by 73.1%), in addition to the increase in revenue from the sale of real estate units/projects from SAR29.0 million in 2018G to SAR138.7 million in 2019G (+SAR109.7 million), by 378.2%, and an increase in facility management revenue from SAR12.2 million in 2018G to SAR24.4 million in 2019G (+SAR12.2 million).

Revenue from contracts with clients amounted to SAR456.5 million in 2019G and increased by 28.7% to SAR587.5 million in 2020G, mainly due to the increase in construction and development contracts revenues from SAR284.5 million to SAR405.0 million (+SAR120.5 million, 42.4%). This was partially offset by a 73.9% decrease in other income from SAR6.2 million to SAR1.6 million over the same period.

Revenue from contracts with customers amounted to SAR321.3 million during the nine-month period ended 30 September 2020G, and significantly increased by 90.9% to SAR613.4 million in the nine-month period ended 30 September 2021G, mainly due to the increase in construction and development contracts revenue from SAR214.7 million to SAR563.5 million over the same period (+SAR348.8 million, 162.4%.). This was partially offset by the 73.2% decrease in revenue from sale of real estate units from SAR81.7 million to SAR21.9 million during this period.

Table (6-6): Revenues by type of customers for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Individual customers	31,036	142,661	460,898	196,144	579,796	359.7%	223.1%	285.4%	195.6%
Corporate customers	117,832	67,737	51,200	47,914	31,401	(42.5%)	(24.4%)	(34.1%)	(34.5%)
Government & quasi-government customers	60,142	246,138	75,353	77,192	2,150	309.3%	(69.4%)	11.9%	(97.2%)
Total	**209,010**	**456,536**	**587,451**	**321,250**	**613,347**	**118.4%**	**28.7%**	**67.6%**	**90.9%**
As a percentage of revenue						**Per thousands**			
Individual customers	14.8%	31.2%	78.5%	61.1%	94.5%	16.4	47.2	63.6	33.5
Corporate customers	56.4%	14.8%	8.7%	14.9%	5.1%	(41.5)	(6.1)	(47.7)	(9.8)
Government & quasi-government customers	28.8%	53.9%	12.8%	24.0%	0.4%	25.1	(41.1)	(15.9)	(23.7)

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Individual customers

Revenue from individual customers consist of contracts for the construction and sale of real estate units and rent contracts customers. Revenue from individual customers represented 78.5% of the total revenue in 2020G. Sales to individual customers increased by 359.7% from SAR31.0 million in 2018G to SAR142.7 million in 2019G due to the increase in the sale of real estate units (+SAR108.9 million), mainly in the residential villas of Al Qayrawan 1 and 2 (41 and 24 units, respectively). Revenues from individual customers also increased in 2020G to SAR460.9 million as a result of the 30% completion of the Nesaj Town 2 project, which fell under "**individual clients**" due to the absence of any condition in the main contract with MoMRAH stipulating that any unsold units will be bought by the Ministry, unlike Nesaj Town 1 categorized as government and quasi-government customers. Individual customers revenue increased from SAR196.1 million to SAR579.8 million, over the nine-month period ended 30 September 2020G and 2021G respectively, driven by the increase in the percentage of completion of Nesaj Town 2 from c.11% in the nine-month period ended 30 September 2021G to c.75% in the nine-month period ended 30 September 2021G in addition to the increase in the revenue recognized in connection with Nesaj Town Riyadh.

Corporate customers

Corporate customers pertain to revenue generated from all types of goods and services however mostly consisted of construction and development contracts revenue in 2018G and 2019G and facility management revenue in 2020G. Revenue generated from corporate customers represented 56.4%, 14.8%, and 8.7% of the total revenue in 2018G, 2019G and 2020G, respectively, and they accounted for 14.9% and 5.1% of total revenue in the nine-month period ended 30 September 2020G and the nine-month period ended 30 September 2021G.

Corporate customers revenue decreased from SAR117.8 million in 2018G to SAR67.7 million in 2019G as a result of the decrease in the Club House and Al Maali construction and development contracts, upon the completion of these projects. Revenue from corporate customers decreased further to SAR51.2 million in 2020G due to the decrease in revenue from Corniche Park (-SAR16.5 million) due to the completion of the project.

Revenue from corporate customers decreased from SAR47.9 million in the nine-month period ended 30 September 2020G to SAR31.4 million in the nine-month period ended 30 September 2021G as a result of a decrease in the facility management revenue linked to Jeddah Gateway (-SAR6.5 million) upon the winding down of the contract, as well as a result of the decrease in the construction and development contracts revenue related to the Al Shamya lands (-SAR3.8 million) upon the completion of the project.

Government & quasi-government customers

Revenues from governmental and semi-governmental clients consisted of revenue from construction and development contracts and others, including a one-time contract with the Saudi Entertainment Company amounting to SAR3.3 million to organize events in 2019G. Revenue from governmental and quasi-governmental clients represented 12.8% of the total revenue in 2020G.

Sales to customers of government and quasi-government sectors increased by 309.3% from SAR60.1 million in 2018G to SAR246.1 million in 2019G. As result of the increase in completion of Nesaj Town 1 (77% completed in 2019G). Revenues from clients of government and quasi-governmental sectors decreased by 69.4% to SAR75.4 million in 2020G compared to 2019G.

Governmental and quasi-governmental customers' revenues decreased by 97.2% from SAR77.2 million during the nine-month period ended 30 September 2020G to SAR2.2 million during the nine-month period ended 30 September 2021G due to the completion of Nesaj Town 1. The Group recorded a revenue amounting to SAR1.7 million during the same period related to the maintenance work of Nesaj Town 1 before handing over the completed units.

6.7.4 Cost of revenue – by type of good or service

Table (6-7): Revenue cost by type of goods or service for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September, 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Cost of construction and development contracts	131,167	217,901	316,042	167,974	427,981	66.1%	45.0%	55.2%	154.8%
Cost of facility management	10,638	22,770	27,412	19,122	20,505	114.0%	20.4%	60.5%	7.2%
Cost of revenue of real estate units	26,428	128,848	113,776	73,434	16,434	387.5%	(11.7%)	107.5%	(77.6%)
Cost of rent contracts	7,501	4,582	4,691	3,304	3,321	(38.9%)	2.4%	(20.9%)	0.5%
Other	2,634	5,032	1,221	-	-	91.0%	(75.7%)	(31.9%)	na
Total	**178,368**	**379,134**	**463,142**	**263,833**	**468,241**	**112.6%**	**22.2%**	**61.1%**	**77.5%**
As a percentage of revenue						**Per thousands**			
Cost of construction and development contracts	62.8%	47.7%	53.8%	52.3%	69.8%	(15.0)	6.1	(9.0)	17.5
Cost of facility management	5.1%	5.0%	4.7%	6.0%	3.3%	(0.1)	(0.3)	(0.4)	(2.6)
Cost of revenue of real estate units	12.6%	28.2%	19.4%	22.9%	2.7%	15.6	(8.9)	6.7	(20.2)
Cost of rent contracts	3.6%	1.0%	0.8%	1.0%	0.5%	(2.6)	(0.2)	(2.8)	(0.5)
Other	1.3%	1.1%	0.2%	0.0%	0.0%	(0.2)	(0.9)	(1.1)	-
Total	**85.3%**	**83.0%**	**78.8%**	**82.1%**	**76.3%**	**(2.3)**	**(4.2)**	**(6.5)**	**(5.8)**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Cost of construction and development contracts

The cost of construction and development contracts mainly related to the turnkey agreements' costs, increased by 66.1% from SAR131.2 million in 2018G to SAR217.9 million in 2019G mainly due to the progress in the completion of the Nesaj Town 1 project.

The cost of construction and development contracts increased by 45.0% from SAR217.9 million in 2019G to SAR316.0 million in 2020G on the back of the completion of Nesaj Town 1.

The cost of construction and development contracts increased by 154.8% from SAR168.0 million in the nine-month period ended 30 September 2020G to SAR428.0 million in the nine-month period ended 30 September 2021G as a result of the higher percentage of completion of Nesaj Town 2 from 11% in the nine-month period ended 30 September 2020G to 75% in the nine-month period ended 30 September 2021G.

Cost of facility management

The cost of facility management is related to the costs of hiring manpower (mainly in connection with Tadbeir), maintenance, the cost of construction materials and supplies, transportation, rental equipment, and other miscellaneous costs. The cost of property management increased by 114.0% from SAR10.6 million in 2018G to SAR22.8 million in 2019G as a result of securing Jeddah Gate, Al Khobar Lake and Al-Fozan Eskan new contracts in 2019G leading to an increase in cost incurred.

The cost of facility management increased by 20.4% from SAR22.8 million in 2019G to SAR27.4 million in 2020G due to an additional project (Al Shaya) secured by the Group.

The cost of facility management recorded a slight increase of 7.2% during the nine-month period ended 30 September 2021G, rising from SAR19.1 million in the nine-month period ended 30 September 2020G to SAR20.5 million in the nine-month period ended 30 September 2021G, following the increase in the maintenance services provided to Al Shaya Trading (+SAR1.8million), in addition to the Group's contract with Olaya Mall for cleaning services, partially offset by the winding down of Jeddah Gate project during the nine-month period ended 30 September 2021G.

Cost of revenue of real estate units

Cost of revenue of real estate units are related to unit and land costs. The cost of revenue of real estate units increased by 387.5% from SAR26.4 million 2018G to SAR128.8 million in 2019G as a result of the increase in the number of real estate units sold in Al Qayrawan 1 and 2.

Cost of revenue of real estate units decreased by 11.7% from SAR128.8 million in 2019G to SAR113.8 million in 2020G as a result of selling more housing units in Al Qayrawan 1 and 2 in 2019G as compared to 2020G. This was offset by a partial increase in the villas sold in Al-Maali (+SAR61.7 million) and Al Aziziyah lands (+SAR26.8 million) during 2020G.

The cost of selling real estate units decreased by 77.6% from SAR73.4 million in the nine-month period ended 30 September 2020G to SAR16.4 million in the nine-month period ended 30 September 2021G as a result of the decrease in the cost related to Al-Maali villas (-SAR48.5 million), Al Qayrawan 1 (-SAR6.4 million) and the unit costs of Al Qayrawan 2 (-SAR5.3 million), which were completely sold out in 2020G. This was partially offset by an increase in the cost related to Al Aziziyah lands (+SAR5.1 million) sold during the nine-month period ended 30 September 2021G.

Cost of rent contracts

The cost of rent contracts is related to the depreciation and other direct costs booked against the rental revenue generated from the investment properties. The cost of rent contracts decreased by 38.9% from SAR7.5 million in 2018G to SAR4.6 million in 2019G as a result of the decrease in depreciation costs related to the lease agreement of the Grand Project lease agreement which was utilised in 2019G for the Company's staff accommodation and hence the depreciation on this building was categorized under general and administrative expenses.

The cost of rent contracts has relatively stabilized at SAR4.6 million in 2019G and 2020G, as a result of the decrease in cost of Retal Square rent due to contracts winding down. This was offset by a partial increase in the cost of the Nice showrooms that were rented out in 2020G.

The cost of rent contracts remained stable at SAR3.3 million in the nine-month period ended 30 September 2020G and the nine-month period ended 30 September 2021G.

Other

Other costs increased by 91.0% from SAR2.6 million in 2018G to SAR5.0 million in 2019G as a result of the costs associated with the Saudi Entertainment Co. project, which represented a one-off cost incurred due to the exceptional nature of the project.

Other costs decreased by 75.7% from SAR5.0 million in 2019G to SAR1.2 million in 2020G due to the decrease in the marketing costs associated with Al-Maali fund that was closed during 2020G.

The Group did not incur any other costs in the nine-month period ended 30 September 2020G and 2021G following the cancellation of the marketing contract of Al-Maali Fund that started in the second half of 2020G and ended within the same financial year.

6.7.5 Cost of revenue - by nature

Table (6-8): Cost of revenue by nature for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Management Account	2019G Management Account	2020G Management Account	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2021G Management Account	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Turnkey contractors' cost	81,551	137,812	209,893	107,477	333,636	69.0%	52.3%	60.4%	210.4%
Raw materials	35,378	58,087	75,811	36,820	59,810	64.2%	30.5%	46.4%	62.4%
Employees	23,163	38,402	52,524	40,925	48,519	65.8%	36.8%	50.6%	18.6%
Unit and land cost	26,428	128,848	113,776	73,434	16,434	387.5%	(11.7%)	107.5%	(77.6%)
Maintenance, rent, etc.	9,491	11,012	5,419	2,634	4,898	16.0%	(50.8%)	(24.4%)	85.9%
Depreciation	1,052	3,970	5,687	2,519	4,879	277.4%	43.3%	132.5%	93.7%
Marketing	1,305	1,004	31	24	65	(23.1%)	(96.9%)	(84.6%)	(176.9%)
Total	**178,368**	**379,134**	**463,142**	**263,833**	**468,241**	**112.6%**	**22.2%**	**61.1%**	**77.5%**
As a percentage of revenue						**Per thousands**			
Turnkey contractors' cost	39.0%	30.2%	35.7%	33.5%	54.4%	(8.8)	5.5	(3.3)	20.9
Raw materials	16.9%	12.7%	12.9%	11.5%	9.8%	(4.2)	0.2	(4.0)	(1.7)
Employees	11.1%	8.4%	8.9%	12.7%	7.9%	(2.7)	0.5	(2.1)	(4.8)
Unit and land cost	12.6%	28.2%	19.4%	22.9%	2.7%	15.6	(8.9)	6.7	(20.2)
Maintenance, rent, etc.	4.5%	2.4%	0.9%	0.8%	0.8%	(2.1)	(1.5)	(3.6)	(0.0)
Depreciation	0.5%	0.9%	1.0%	0.8%	0.8%	0.4	0.1	0.5	0.0
Marketing	0.6%	0.2%	0.0%	0.0%	0.0%	(0.4)	(0.2)	(0.6)	0.0
Total	**85.3%**	**83.0%**	**78.8%**	**82.1%**	**76.3%**	**(2.3)**	**(4.2)**	**(6.5)**	**(5.8)**

Source: Management accounts

Turnkey contractors' cost

Turnkey contractors cost relates to turnkey contracts assigned to a third party for the purpose of completing projects and having them ready for use. These costs are mainly related to the development of real estate units and construction and development contracts. The contractors' cost represented 50.8% of the total cost of revenue during the period under analysis.

The cost of turnkey contractors increased by 69.0% from SAR81.6 million in 2018G to SAR137.8 million in 2019G, mainly due to the increase in contractors' costs related to Nesaj Town 1 in addition to the increase in costs related to aluminum work, plastering materials and other construction materials and works for Nesaj Town 1. This was offset by a partial reduction in the contractors' costs associated with Al-Maali project due to the completion of the construction work related to the project.

The cost of turnkey contractors increased by 52.3% from SAR137.8 million in 2019G to SAR209.9 million in 2020G following awarding Nesaj Town 2 to several contracting companies. This was offset by a partial decrease in the costs associated with the works of Nesaj Town 1 due to the completion of the project.

The cost of turnkey contractors amounted to SAR107.5 million in the nine-month period ended 30 September 2020G and increased to SAR333.6 million in the nine-month period ended 30 September 2021G (+210.4%), due to the increase in the contractors' costs related to Nesaj Town 2 as a result of signing two new contracts for the development of 599 residential units in the project, as well as 118 residential units for Nesaj Town Khobar and 59 units for Ayala Al-Nakheel which will be led by Distinct Architecture Contracting Company and Al Fanar Group, in addition to the increase in the costs of purchasing precast tiles (+SAR37.3 million), carpentry (+SAR14.2 million), plastering work and materials (+SAR15.3 million) and other materials costs associated with Nesaj Town 2 which kicked off in the second quarter of 2020G.

Raw materials

Raw materials mainly pertain to materials like steel, concrete, electric cables among other materials used in the construction and development of residential units. The cost of materials represented 14.6% of the total cost of revenue during the period under analysis.

The cost of raw materials increased by 64.2% from SAR35.4 million in 2018G to SAR58.1 million in 2019G, mainly due to the cost of materials related to Nesaj Town 1. Despite the increase in the total cost of raw materials during this period, the cost of materials as a percentage of revenue decreased from 39.0% in 2018G to 30.2% in 2019G as the Group was able to negotiate lower prices through third parties' agreements.

The cost of raw materials increased by 30.5% from SAR58.1 million in 2019G to SAR75.8 million in 2020G due to the increase in materials costs related to Nesaj Town 2 which kicked off during 2020G. This was partially offset by the reduction in the costs associated with Nesaj Town 1 following its completion during 2020G

The cost of raw materials amounted to SAR36.8 million in the nine-month period ended 30 September 2020G, and increased by 62.4% to SAR59.8 million in the nine-month period ended 30 September 2021G as a result of the increase in the concrete cost (+SAR5.6 million), tiles and ceramic costs (+SAR5.3 million), brick (+SAR3.3 million) and steel cost (+SAR3.1 million) during this period, largely related to Nesaj Town 2 (1,653 units).

Employees

Employee cost amounting to SAR23.2 million in 2018G, increased by 65.8% to SAR38.4 million in 2019G and further increased to SAR52.5 million in 2020G due to the increase in the number of employees.

Employee cost increased from SAR40.9 million in the nine-month period ended 30 September 2020G to SAR48.5 million in the nine-month period ended 30 September 2021G following the increase in the number of employees.

Unit and land cost

The unit and land cost is exclusively related to the cost of real estate units. The Group capitalizes the cost of the purchased land until the underlying project is developed, and capitalizes all costs related to the construction. The Group charges the cost related to the units and the lands on which the project is built within the unit and land cost when the revenue is generated or when the sale of these units takes place.

The unit and land cost amounted to SAR26.4 million in 2018G and increased by 387.5% to SAR128.8 million in 2019G, due to the sale of housing units in Al Qayrawan 1 and 2 during 2019G.

The cost of land and housing units decreased by 11.7% from SAR128.8 million in 2019G to SAR113.8 million in 2020G, as the Group sold all the housing units in Al Qayrawan 1 and 2 during 2019G and thus all costs related to these two projects were disbursed in 2019G.

The unit and land cost amounted to SAR73.4 million in the nine-month period ended 30 September 2020G and decreased by 77.6% to SAR16.4 million in the nine-month period ended 30 September 2021G as a result of selling all units in Qayrawan projects 1 and 2, Al Safa, Suburb Block 44 during 2020G, in addition to a decrease in revenue from Al-Maali Villas (-SAR48.6 million) due to the decrease in the housing units sold from 27 to 1 over the same period. This was partially offset by an increase in the revenue generated from Al Aziziyah lands (+SAR5.1 million).

Maintenance, rent and others

Maintenance, rent, and other expenses amounted to SAR9.5 million in 2018G and increased by 16.0% to SAR11.0 million in 2019G, as a result of an increase in rental manpower (+SAR2.3 million), mainly driven by Tadbeir as the entity secured projects but did not have the manpower to execute these projects.

Rental, maintenance, and other expenses decreased by 50.8% from SAR11.0 million in 2019G to SAR5.4 million in 2020G as a result of the decrease in the need of rental manpower for Tadbeir upon completion of the projects, decrease in operation & maintenance costs (-SAR1.3 million) and maintenance cost (SAR1.1 million) as major maintenance was done for Retal Square building during 2019G.

Maintenance, rent, and other costs increased from SAR2.6 million in the nine-month period ended 30 September 2020G to SAR4.9 million in the nine-month period ended 30 September 2021G (by 85.9%) as a result of the increase in the rental manpower (+SAR1.1 million), driven by Tadbeir to fulfil the increase in facility management contracts, as well as the new projects such as Olaya Mall, Granada Business Center, Retal Business Park.

Depreciation

Depreciation charges mostly relate to the depreciation charges incurred on the Valley project, the Nice Showroom and Product Building which is owned by the Group and which is leased to a third party. Depreciation costs amounted to SAR1.1 million in 2018G and increased by 277.4% to SAR4.0 million in 2019G, according to the Group's implementation of IFRS 16 – "**Leasing contracts**" and the capitalization of some lease contracts within the right-of-use assets and recording the cost associated with these contracts within depreciation costs.

Depreciation costs increased by 43.3% from SAR4.0 million in 2019G to SAR5.7 million in 2020G due on the back of the recognition of a depreciation expense in connection with Nice showroom and Netaj building, and the newly developed offices.

Depreciation amounted to SAR2.5 million in the nine-month period ended 30 September and increased to SAR4.9 million in the nine-month period ended 30 September 2021G due to the increase in the depreciation expense related to the new Retal Business Center and its related assets.

Marketing

Marketing costs pertaining to advertisement, social media, and event branding.

Marketing costs amounted to SAR1.3 million in 2018G and decreased by 23.1% to SAR1.0 million in 2019G, due to the sale of units in Al Qayrawan villas during 2019G. Marketing costs decreased by 96.9% from SAR1.0 million in 2019G to SAR31 thousand in 2020G due to the Group's recovery of all its investments in Ewan Al-Maali Real Estate Fund. Accordingly, the Group did not incur any costs related to marketing and selling contracts.

Marketing costs amounted to SAR24 thousand in the nine-month period ended 30 September 2020G, and increased to SAR65 thousand in the nine-month period ended 30 September 2021G, following the increase in pre-marketing costs of TRS such as branding and billboards.

6.7.6 General and administrative expenses

Table (6-9): General and administrative expenses for the financial years ended on 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2021G Management Account	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Employee salaries and related benefits	10,992	12,220	12,285	11,755	15,666	11.2%	0.5%	5.7%	33.3%
Depreciation of right-of-use assets	-	4,662	4,909	3,085	3,495	na	5.3%	na	13.3%
Bad debt provision	-	-	-	-	2,314	na	na	na	na
Depreciation	594	592	1,539	182	1,999	(0.2%)	159.9%	61.0%	997.9%
Maintenance and other benefits	-	219	901	365	1,345	na	312.1%	na	268.6%
Utilities	516	422	986	450	971	(18.2%)	133.7%	38.3%	115.6%
Professional fees	215	318	624	348	483	47.8%	95.9%	70.2%	38.9%
Stationery	25	40	222	235	469	55.1%	460.2%	194.8%	99.3%
Rent	6,399	1,530	984	1,013	344	(76.1%)	(35.7%)	(60.8%)	(66.0%)
IT expenses	2	164	565	-	235	10,622.9%	245.0%	1823.3%	na
Travel expenses	127	422	385	75	231	232.0%	(8.7%)	74.1%	207.9%
Hospitality expenses	329	281	223	211	215	(14.6%)	(20.9%)	(17.8%)	1.5%
Fees and permits	24	35	115	330	148	47.3%	226.4%	119.3%	(55.2%)
Corporate events	146	140	356	205	137	(3.5%)	153.1%	56.3%	(33.1%)
Amortization	-	73	159	489	68	na	118.3%	na	(86.2%)
Board of Directors fees	-	-	300	-	-	na	na	na	na
Other	1,601	2,098	1,880	550	726	31.1%	(10.4%)	8.4%	31.9%
Total	**20,969**	**23,215**	**26,432**	**19,294**	**28,845**	**10.7%**	**13.9%**	**12.3%**	**49.5%**
As a percentage of revenue						**Per thousand**			
Employee salaries and related benefits	5.3%	2.7%	2.1%	3.7%	2.6%	(2.6)	(0.6)	(3.2)	(1.1)
Depreciation of right-of-use assets	0.0%	1.0%	0.8%	1.0%	0.6%	1.0	(0.2)	0.8	(0.4)
Bad debt provision	0.0%	0.0%	0.0%	0.0%	0.4%	0.0	0.0	0.0	0.4

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2021G Management Account	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Depreciation	0.3%	0.1%	0.3%	0.1%	0.3%	(0.2)	0.1	(0.0)	0.3
Maintenance expenses and other benefits	0.0%	0.0%	0.2%	0.1%	0.2%	0.0	0.1	0.2	0.1
Utilities	0.2%	0.1%	0.2%	0.1%	0.2%	(0.2)	0.1	(0.1)	(0.0)
Professional fees	0.1%	0.1%	0.1%	0.1%	0.1%	(0.0)	0.0	0.0	(0.0)
Stationery	0.0%	0.0%	0.0%	0.1%	0.1%	(0.0)	0.0	0.0	0.0
Rent	3.1%	0.3%	0.2%	0.3%	0.1%	(2.7)	(0.2)	(2.9)	(0.3)
IT expenses	0.0%	0.0%	0.1%	0.0%	0.0%	0.0	0.1	0.1	0.0
Travel expenses	0.1%	0.1%	0.1%	0.0%	0.0%	0.0	(0.0)	0.0	0.0
Hospitality expenses	0.2%	0.1%	0.0%	0.1%	0.0%	(0.1)	(0.0)	(0.1)	(0.0)
Fees and permits	0.0%	0.0%	0.0%	0.1%	0.0%	(0.0)	0.0	0.0	(0.1)
Corporate events	0.1%	0.0%	0.1%	0.1%	0.0%	(0.0)	0.0	(0.0)	0.0
Amortization	0.0%	0.0%	0.0%	0.2%	0.0%	0.0	0.0	0.0	(0.1)
Board of Directors fees	0.0%	0.0%	0.1%	0.0%	0.0%	0.0	0.1	0.1	0.0
Other	0.8%	0.5%	0.3%	0.2%	0.1%	0.3	(0.1)	0.4	(0.1)

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management accounts for the nine-month period ended 30 September 2020G and 2021G

General and administrative expenses mainly relate to employee salaries and related benefits, depreciation of right-of-use assets, depreciation, maintenance and other benefits, professional fees, travel expenses, and other expenses.

Employee salaries and related benefits

Employee salaries and related benefits increased by 11.2% from SAR11.0 million in 2018G to SAR12.2 million in 2019G as a result of the increase in the number of employees. Employee salaries and related benefits remained relatively stable in 2020G at SAR12.3 million.

Employee salaries and related benefits increased by 33.3% from SAR11.8 million in the nine-month period ended 30 September 2020G to SAR15.7 million in the nine-month period ended 30 September 2021G as a result of the increase in the number of employees from 95 to 109 employees over the same period.

Depreciation of right-of-use assets

The depreciation of right-of-use assets increased from nil in 2018G to SAR4.7 million in 2019G following the implementation of IFRS16.

The right-of-use assets depreciation increased by 5.3% from SAR4.7 million in 2019G to SAR4.9 million in 2020G in connection with the depreciation related to the Valley project as the Group has lease income generated from that project.

Depreciation of right-of-use assets increased from SAR3.1 million in nine-month period ended 30 September 2020G to SAR3.5 million in nine-month period ended 30 September 2021G mainly due to the rental contracts starting at the end of the first and last quarters of the year.

Bad debt provision

Bad debt and provision amounted to SAR2.3 million in the nine-month period ended 30 September 2021 and mainly related to a Zakat claim in connection with BCC (SAR1.2 million) and VAT claim in connection Retal for the sale of Wejha (SAR1.0 million). We understand from Management that both claims are being discussed with the Zakat authority and most likely will not be collected therefore Management provided for the underlying receivable recorded.

Depreciation

Depreciation expense decreased by 0.2% from SAR594 thousand in 2018G to SAR592 thousand in 2019G.

Depreciation increased by 159.9% from SAR592 thousand in 2019G to SAR1.5 million in 2020G as a result of moving to the new building for which new furniture and IT equipment had to be installed which are subject to depreciation.

Depreciation expense increased by 997.9% from SAR182 thousand in the nine-month period ended 30 September 2020G to SAR2.0 million in the nine-month period ended 30 September 2021G following the relocation to the new offices in July 2020G and the subsequent additions to furniture.

Maintenance and other benefits

Maintenance and other benefits relate to maintenance on the warehouses owned by the Group on a need basis, such as consumables, cleaning, or yearly maintenance. Maintenance and other benefits increased from nil in 2018G to SAR219 thousand in 2019G given that the maintenance expense in 2018G was incurred by the lessor, whereas in 2019G the Group was bearing the maintenance and after sales costs. This also led to an increase in maintenance and other benefits by 312.1% from SAR219 thousand in 2019G to SAR901 thousand in 2020G.

Maintenance and other benefits increased by 268.6% from SAR365 thousand in the nine-month period ended 30 September 2020G to SAR1.3 million in the nine-month period ended 30 September 2021G as a result of maintenance costs incurred on the new RBC building and new warehouses.

Utilities

Utilities decreased by 18.2% from SAR516 thousand in FY18 to SAR422 thousand in 2019G following the payment related to the network connectivity charges in 2018G which was a one-time fee for the head office and showroom.

Utilities increased by 133.7% from SAR422 thousand in 2019G to SAR986 thousand in 2020G as a result of moving from the leased space in Al Turki Tower to a larger head office with higher utility expenditures incurred.

Utilities increased by 115.6% from SAR450 thousand in the nine-month period ended 30 September 2020G to SAR971 thousand in the nine-month period ended 30 September 2021G due to the relocation to a bigger head office as previously mentioned.

Professional fees

Professional fees relate to projects consultants and other legal, audit and tax advisors. Professional fees increased by 95.9% from SAR318 thousand in 2019G to SAR624 thousand in 2020G following the major increase in Retal's development and investment properties over the same period, which required additional consultancy and advisory work to assess the fair value of these properties and to assess any impairment indicators.

Professional fees increased by 38.9% from SAR348 thousand in the nine-month period ended 30 September 2020G to SAR483 thousand in the nine-month period ended 30 September 2021G as a result of the increase in Retal's development and investment properties, in addition to an increase in the audit fees from the nine-month period ended 30 September 2020G to 30 September 2021G.

Stationery

Stationery increased by 55.1% from SAR25 thousand in 2018G to SAR40 thousand in 2019G due to the move to the new RBC offices, where new stationery materials were purchased, in addition to an increase in the number of employees from 62 to 110.

Stationery increased by 460.2% from SAR40 thousand in 2019G to SAR222 thousand in 2020G following the increase in the business.

Stationery increased from SAR235 thousand in the nine-month period ended 30 September 2020G to SAR469 thousand in the nine-month period ended 30 September 2021G mainly related to purchasing new stationery and replacement of the old one in the new RBC building.

Rent

Rent pertains to offices, warehouses and renting showrooms. Rental expenses decreased by 76.1% from SAR6.4 million in 2018G to SAR1.5 million in 2019G, following the rental agreement related to the residential building A in Dammam, which was classified as rental expenses in 2018G. It was then recorded under the right-of-use assets in 2019G after the implementation of IFRS 16.

Rent expense decreased by 35.7% from SAR1.5 million in 2019G to SAR984 thousand in 2020G following the Group's move to the owned new offices owned (Retal Business Center).

Rent decreased by 66.0% from SAR1.0 million in the nine-month period ended 30 September 2020G to SAR344 thousand in the nine-month period ended 30 September 2021G, following the move to the new RBC offices. The rent in the nine-month period ended 30 September 2020G relates to the warehouses lease, the labor accommodation, in addition to the rented vehicles.

IT expenses

IT expenses relate to the technical support needed to expand the Group's operations and fulfill the technology-related needs of new mega projects. IT expenses increased from SAR2 thousand in 2018G to SAR164 thousand in 2019G as a result of purchasing hardware, software, and tools to strengthen the information technology department of the Group.

IT expenses increased by 245.0% from SAR164 thousand in 2019G to SAR565 thousand in 2020G mainly related to new IT purchases such as laptops, and mainly licenses to be installed at project sites.

IT expenses increased from nil in the nine-month period ended 30 September 2020G to SAR235 thousand in the nine-month period ended 30 September 2021G as a result of moving to RBC, which required new internet connection installations for the whole building, as well as new IT fittings and related services.

Travel expenses

Travel expenses increased from SAR127 thousand in 2018G to SAR422 thousand in 2019G as a result of business meetings held in Riyadh regarding the projects of MoMRAH which led to an increase in transportation and hotel expenses.

Travel expenses decreased by 8.7% from SAR422 thousand in 2019G to SAR385 thousand in 2020G due to the outbreak of the COVID-19 pandemic.

Travel expenses increased from SAR75 thousand in the nine-month period ended 30 September 2020G to SAR231 thousand in the nine-month period ended 30 September 2021G following the increase in the volume of trips associated with the new projects' opportunities for Tadbeir and Retal in Riyadh (Nesaj Town Riyadh), and Jeddah City (Emaar Jeddah Gate).

Hospitality expenses

Hospitality expenses relates to tea, coffee, and other consumables expenses for employees providing these services. Hospitality expenses decreased by 14.6% from SAR329 thousand in 2018G to SAR281 thousand in 2019G as a result of a nominal change and it is as a result of the hospitality cost being charged to multiple projects, while in 2018G it was charged to Nesaj Town 1.

Hospitality expenses decreased by 20.9% from SAR281 thousand in 2019G to SAR223 thousand in 2020G as a result of the outbreak of COVID-19 pandemic.

Hospitality expenses were relatively stable at an average of SAR213 thousand in nine-month period ended 30 September 2020G and nine-month period ended 30 September 2021G.

Fees and permits

Fees and permits expenses mainly relate to government fees such as commercial register fees, civil defense certificates, municipality fees, among others. Fees and permits increased from SAR24 thousand in 2018G to SAR35 thousand in 2019G due to the reallocation of this account to others.

Fees and permits increased by 226.4% from SAR35 thousand in 2019G to SAR115 thousand in 2020G following the settlement of the municipality fees related to the new office in Riyadh and the governmental and legal fees paid to change the legal status of Retal from LLC to JSC.

Fees and permits decreased by 55.2% from SAR330 thousand in the nine-month period ended 30 September 2020G to SAR148 thousand in the nine-month period ended 30 September 2021G due following the settlement of the licensing fees related to the new offices in Khobar and Riyadh during the nine-month period ended 30 September 2020G.

Corporate events

Corporate events remained relatively stable at SAR146 thousand between 2018G and 2019G.

Corporate events increased by 153.1% from SAR140 thousand in 2019G to SAR356 thousand in 2020G due to the organization of an event at Sunset beach in Al-Khobar.

Corporate events decreased from SAR205 thousand in the nine-month period ended 30 September 2020G to SAR137 thousand in the nine-month period ended 30 September 2021G following the organization by Tadbeir of an exhibition pertaining to facility management in Riyadh in the nine-month period ended 30 September 2020G.

Amortization

Amortization increased from nil in 2018G to SAR73 thousand in 2019G due to classifying some expenses under others in 2018G.

Amortization increased by 118.3% from SAR73 thousand in 2019G to SAR159 thousand in 2020G as a result of the amortization of the procurement, sales, HR, and ERP system.

Amortization decreased from SAR489 thousand in the nine-month period ended 30 September 2020G to SAR68 thousand in the nine-month period ended 30 September 2021G following the impairment of the assets of Retal's subsidiaries.

Board of Directors fees

The board of Directors' fees amounted to nil in 2018G and 2019G.

Board of Director fees increased to SAR300 thousand in 2020G following the payments made to two independent board members as the BOD fees were approved and authorized in compliance with DOA, this was not previously paid since no independent board members were present, however such fees will be paid annually.

Other

Other expenses increased by 31.1% from SAR1.6 million in 2018G to SAR2.1 million in 2019G as a result of the increase in marketing and professional consultancy fees.

Other expenses decreased by 10.4% from SAR2.1 million in 2019G to SAR1.9 million in 2020Gs a result of lower fees, licenses, and subscription due to a decrease in the fees, licenses, and subscriptions.

Other expenses increased by 31.9% from SAR550 thousand in the nine-month period ended 30 September 2020G to SAR726 thousand in the nine-month period ended 30 September 2021G due to the increase in miscellaneous expenses.

6.7.7 Selling and marketing expenses

Table (6-10): Selling and marketing expenses for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2020G Management Account	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G - 30 September 2021G
Employee salaries and related benefits	1,504	1,985	1,054	1,952	3,351	31.9%	(46.9%)	(16.3%)	71.7%
Maintenance and after-sales expenses	778	2,202	3,967	3,410	2,918	183.1%	80.1%	125.8%	(14.4%)
Marketing and Advertising	936	983	1,267	1,066	2,752	5.0%	28.8%	16.3%	185.2%
Community service	-	-	-	-	1,835	na	na	na	na
Utilities	79	66	58	786	154	(16.5%)	(12.3%)	(14.4%)	(80.8%)
Amortization	23	69	68	98	116	194.1%	(1.0%)	70.6%	18.8%
Travel expenses	-	4	17	-	14	na	315.7%	na	na
Rent	469	529	300	-	-	12.7%	(43.2%)	(20.0%)	0.0%
Depreciation	61	62	68	300	-	2.4%	9.4%	5.8%	(100.0%)
Corporate events	-	6	267	-	-	na	4111.3%	na	na
Fees and permits	8	1	7	-	-	(81.5%)	389.1%	(4.9%)	0.0%
Hospitality	240	229	153	-	-	(4.9%)	(33.0%)	(20.2%)	na
IT expenses	8	29	20	-	-	272.6%	(32.9%)	58.1%	na
Stationery	8	26	17	-	-	211.5%	(32.7%)	44.7%	na
Other	273	126	440	13	191	(53.9%)	249.6%	27.0%	1325.1%
Total	**4,388**	**6,317**	**7,702**	**7,625**	**11,331**	**44.0%**	**21.9%**	**32.5%**	**48.6%**
As a percentage of revenue						**Per thousands**			
Employee salaries and related benefits	0.7%	0.4%	0.2%	0.6%	0.5%	(0.3)	(0.3)	(0.5)	(0.1)
Maintenance and after-sales expenses	0.4%	0.5%	0.7%	1.1%	0.5%	0.1	0.2	0.3	(0.6)
Marketing and Advertising	0.4%	0.2%	0.2%	0.3%	0.4%	(0.2)	0.0	(0.2)	0.1
Community service	0.0%	0.0%	0.0%	0.0%	0.3%	-	-	-	0.3

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2020G Management Account	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Vari-ance 30 September 2020G - 30 September 2021G
Utilities	0.0%	0.0%	0.0%	0.2%	0.0%	(0.0)	(0.0)	(0.0)	(0.2)
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	(0.0)	0.0	(0.0)
Travel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0
Rent	0.2%	0.1%	0.1%	0.0%	0.0%	(0.1)	(0.1)	(0.2)	-
Depreciation	0.0%	0.0%	0.0%	0.1%	0.0%	(0.0)	(0.0)	(0.0)	(0.1)
Corporate events	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	-
Fees and permits	0.0%	0.0%	0.0%	0.0%	0.0%	(0.0)	0.0	(0.0)	-
Hospitality	0.1%	0.1%	0.0%	0.0%	0.0%	(0.1)	(0.0)	(0.1)	-
IT expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	(0.0)	(0.0)	-
Stationery	0.0%	0.0%	0.0%	0.0%	0.0%	0.0	(0.0)	(0.0)	-
Other	0.1%	0.0%	0.1%	0.0%	0.0%	(0.1)	0.0	(0.1)	0.0
Total	**2.1%**	**1.4%**	**1.3%**	**2.4%**	**1.8%**	**(0.7)**	**(0.1)**	**(0.8)**	**(0.5)**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management accounts for the nine-month period ended 30 September 2020G and 2021G

Employee salaries and related benefits

Employee salaries and related benefits increased by 31.9% from SAR1.5 million in 2018G to SAR1.9 million in 2019G as a result of the increase in the number of employees.

Employee salaries and related benefits decreased by 16.3% from SAR1.9 million in 2019G to SAR1.1 million in 2020G.

Employee salaries and related benefits increased by 71.7% from SAR2.0 million in the nine-month period ended 30 September 2020G to SAR3.4 million in the nine-month period ended 30 September 2021G.

Maintenance and after-sales expenses

Maintenance and after-sales expenses relate to warrantied granted to customers such as maintenance and cleaning to prepare the sold units for delivery. Maintenance and after-sales expenses increased by 183.1% from SAR778 thousand in 2018G to SAR2.2 million in 2019G as a result of the increase in the units sold from 24 to 96 units mainly related to the Al Qayrawan projects, requiring additional maintenance work such as repainting and changing materials, etc.

Maintenance and after-sales expenses increased by 80.1% from SAR2.2 million in 2019G to SAR3.9 million in 2020G following the increase in the volume of units sold, largely related to 674 villas sold in Nesaj Town 1, in addition to other projects such as Maali and Al Qayrawan.

Maintenance and after-sales expenses decreased by 14.4% from SAR3.4 million in the nine-month period ended 30 September 2020G to SAR2.9 million in the nine-month period ended 30 September 2021G as a result of additional maintenance work performed for the handover of residential units in Nesaj Town 1 such as cleaning, repainting, replacement of lighting fixtures, window/door accessories, etc.

Marketing and Advertising

Marketing and advertising costs remained relatively stable during 2018G and 2019G at SAR936 thousand and SAR983 thousand, respectively.

Marketing and advertising expenses increased by 28.8% from SAR983 thousand in 2019G to SAR1.3 million in 2020G, due to hosting a community service event and donating the villa to the football player.

Marketing and advertising costs increased from SAR1.1 million in the nine-month period ended 30 September 2020G to SAR2.8 million in the nine-month period ended 30 September 2021G in connection with the cost of the video produced by the Group for Saudi National Day.

Community service

Community service relates to a program for social responsibility towards various individuals and organizations. Community service amounted to SAR1.8 million in the nine-month period ended 30 September 2021G as compared to nil over the historical period, given that one of the villas was awarded to an ex-football player of the KSA national team, who sustained an injury that ended his career. In addition, the Group participated in the Sakan Development Program by paying SAR250 thousand to contribute to other family's needs.

Utilities

Utilities decreased by 16.5% from SAR79 thousand in 2018G to SAR66 thousand in 2019G, then further decreased by 12.3% to SAR58 thousand in 2020G.

Utilities decreased from SAR786 thousand in the nine-month period ended 30 September 2020G to SAR154 thousand in the nine-month period ended 30 September 2021G following the relocation from the leased showroom in July 2020G, to the new head office building owned by the Group.

Amortization

Amortization expenses increased by 194.1% from SAR23 thousand in 2018G to SAR69 thousand in 2019G due to the amortization expenses related to the ERP system.

Amortization expenses remained stable at SAR68 thousand between 2019G and 2020G.

Amortization expenses increased from SAR98 thousand in the nine-month period ended 30 September 2020G to SAR116 thousand in the nine-month period ended 30 September 2021G.

Travel expenses

Travel expenses increased from nil in 2018G to SAR4 thousand in 2019G due to the increase in transportation and hotel expenses in Riyadh.

Travel expenses increased by 315.7% from SAR4 thousand in 2019G to SAR17 thousand in 2020G due to the opening of the new offices in 2020G.

Travel expenses increased from nil in the nine-month period ended 30 September 2020G to SAR14 thousand in the nine-month period ended 30 September 2021G after easing the restrictions related to COVID-19 pandemic in Saudi Arabia.

Rent

Rent increased by 12.7% from SAR469 thousand in 2018G to SAR529 thousand in 2019G as a result of the annual warehouse rental fees.

Rent decreased by 43.2% from SAR529 thousand in 2019G to SAR300 thousand in 2020G as a result of closing the mega showroom and moving the Group's sales team to the new RBC building, in addition to closing the Retal showroom later in the 2020G.

Rent was nil in the nine-month period ended 30 September 2021G and nine-month period ended 30 September 2021G as a result of closing Retal showroom and moving to the new RBC building owned by the Group.

Depreciation

Depreciation expense relates to the Group's owned vehicles, as depreciation increased by 2.4% from SAR61 thousand in 2018G to SAR62 thousand in 2019G.

Depreciation increased by 9.4% from SAR62 thousand in 2019G to SAR68 thousand in 2020G as a result of purchasing new assets in 2020G.

Depreciation expenses decreased from SAR300 thousand in the nine-month period ended 30 September 2020G to nil in the nine-month period ended 30 September 2021G as it was reclassified to cost of revenue.

Corporate events

Corporate events increased from nil in 2018G to SAR6 thousand in 2019G where Retal Group organized a dinner party for SAR113.0 thousand in 2019G.

Corporate events increased from SAR6 thousand in 2019G to SAR267 thousand in 2020G, as Retal organized an event for the employees on Sunset Beach at a total cost of SAR250 thousand.

The Group has not incurred any corporate event expenses in the nine-month period ended 30 September 2020G and the nine-month period ended 30 September 2021G.

Fees and permits

Fee and permit relate mainly to government fees paid, such as license fees. Fees and permits decreased by 81.5% from SAR8 thousand in 2018G to SAR1 thousand in 2019G.

Fees and permits increased by 389.1% from SAR1 thousand in 2019G to SAR7 thousand in 2020G.

Fees and permits were nil in the nine-month period ended 30 September 2020G and nine-month period ended 30 September 2021G given that the Group is not paying any license fees since they moved to Retal Business Center.

Hospitality

Hospitality expenses relate to expenses of consumables, which decreased during the period under analysis, as hospitality decreased by 4.9% from SAR240 thousand in 2018G to SAR229 thousand in 2019G.

Hospitality decreased by 33.0% from SAR229 thousand in 2019G to SAR153 thousand in 2020G.

The Group has not incurred any hospitality expense in the nine-month period ended 30 September 2020G and nine-month period ended 30 September 2021G.

IT expenses

IT expenses increased by 272.6% from SAR8 thousand in 2018G to SAR29 thousand in 2019G and subsequently decreased by 32.9% to SAR20 thousand in 2020G mainly driven by the increase of the staff to market the projects, and subsequently hiring staff for customer care as well, therefore new IT purchases were provided for all new staff members.

IT expenses were nil in the nine-month period ended 30 September 2020G and nine-month period ended 30 September 2021G.

Stationery

Stationery costs increased by 211.5% from SAR8 thousand in 2018G to SAR26 thousand in 2019G and further to SAR17 thousand in 2020G.

The Group did not incur stationery charges in the nine-month period ended 30 September 2020G and nine-month period ended 30 September 2021G.

Others

Others decreased by 53.9% from SAR273 thousand in 2018G to SAR126 thousand in 2019G due to the decrease in after-sales services, and repair and maintenance related to office equipment.

Other expenses increased by 249.6% from SAR126 thousand in 2019G to SAR440 thousand in 2020G due to the increase in after-sales services expenses.

Other expenses increased from SAR13 thousand in the nine-month period ended 30 September 2020G to SAR191 thousand in the nine-month period ended 30 September 2021G.

6.7.8 Consolidated statement of financial position

Table (6-11): Consolidated statement of financial position as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Assets				
Current assets				
Cash on hand and at banks	85,055	9,637	64,981	336,277
Equity instruments at FVOCI	37,108	-	-	-
Prepayments and other receivables	27,732	31,158	95,963	163,173
Investments at fair value through profit or loss	-	-	-	1,969
Account receivables	19,359	93,451	81,218	187,511
Inventories	3,455	4,367	22,254	16,622
Contract assets	74,817	150,459	203,751	17,402
Properties for development and sales, current	50,740	30,888	139,488	226,780
Total current assets	**289,266**	**319,961**	**607,655**	**949,735**
Non-current assets				
Accounts receivable - non-current	14,616	1,227	2,869	1,772
Property and equipment	3,747	4,912	90,212	94,055
Right of use assets	-	20,464	14,916	8,841
Properties for development and sale, non-current	76,962	2,208	-	18,296
Investment properties	39,083	210,438	329,198	230,707
Intangible assets	3,814	3,727	3,499	3,369
Investments in associates	83,843	112,820	121,250	272,470
Total non-current assets	**222,065**	**355,797**	**561,944**	**629,510**
Total assets	**520,331**	**675,757**	**1,169,599**	**1,579,245**

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Current Liabilities				
Accounts payable and retention	82,961	135,002	259,460	446,124
Accrued expenses and other payables	11,606	7,528	26,021	23,429
Lease liabilities	-	7,509	8,693	6,726
Contract liabilities	4,830	1,606	24,690	86,094
Refundable incentives	150,019	150,019	115,019	-
Short term loan	-	-	50,000	50,000
Term loans – current portion	-	-	83,733	281,548
Zakat payable	12,120	5,895	5,975	7,921
Total current liabilities	**261,535**	**307,558**	**573,592**	**901,842**
Non-current liabilities				
Lease liabilities	-	10,271	3,073	175
Term loans - non-current	-	-	64,667	102,930
Employee termination benefits	6,660	7,794	9,481	10,448
Accounts payable - long term	121,927	3,967	-	-
Total non-current liabilities	**128,587**	**22,032**	**77,221**	**113,554**
Total liabilities	**390,122**	**329,590**	**650,813**	**1,015,396**
Equity				
Share capital	10,000	250,000	375,000	400,000
Statutory reserve	3,000	8,969	18,833	18,833
Contribution from shareholder	82,134	-	-	-
Actuarial reserve	(924)	(1,494)	(2,509)	(2,509)
Fair value reserve for equity instruments FVOCI	(2,774)	-	-	-
Retained earnings	38,775	88,692	127,462	147,362
Non-controlling interests	-	-	-	162
Total equity	**130,210**	**346,167**	**518,786**	**563,849**
Total liabilities and equity	**520,331**	**675,757**	**1,169,599**	**1,579,245**
KPIs				
Days sales outstanding (days)	70	111	71	87

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Days payable outstanding (days)	98	74	110	76
Days inventory outstanding (days)	36	27	107	75
Return on Assets (%)	0.6%	10.0%	10.7%	11.6%
Return on Equity (%)	2.1%	25.1%	22.8%	29.5%

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Assets

Current assets

Current assets increased from SAR298.3 million as of 31 December 2018G to SAR320.0 million as of 31 December 2019G as a result of the increase in contract assets from SAR74.8 million to SAR150.5 million during the period as a result of the increase in the completion percentage of the Nesaj Town 1 project in addition to the increase in accounts receivable from SAR19.4 million to SAR93.5 million due to the increase in receivables from the Nesaj Town 1 project. This was partially offset by a decrease in cash on hand and at banks from SAR85.1 million as of 31 December 2018G to SAR9.6 million as of 31 December 2019G as a result of using restricted cash with banks to settle payments to contractors and suppliers related to the Nesaj Town 1 project.

Current assets increased from SAR320.0 million as of 31 December 2019G to SAR607.7 million as of 31 December 2020G as a result of the increase in current properties for development and sale (+SAR108.6 million) due to the Group's acquisition of Nesaj Town Khobar (+SAR79.7 million) and the increase in net construction work related to Nesaj Town 2 (+SAR37.1 million). This was coupled with an increase in i) prepayments and receivables due to the increase in prepayments (+SAR32.4 million) primarily related to the Nesaj Town 2 project and value added tax (+SAR25.3 million) ii) cash on hand and at banks (+SAR55.3 million) as a result of the increase in restricted cash with banks related to Nesaj Town 1 and 2 projects iii) contract assets (+SAR53.3 million) mainly related to Nesaj Town 2 (+SAR168.3 million). The increase in current assets was partially offset by a decrease in the contract assets related to Nesaj Town 1 (-SAR112.2 million) due to the issuance of invoices to customers.

Current assets increased from SAR607.7 million as of 31 December 2020G to SAR949.7 million as of 30 September 2021G as a result of the increase in cash on hand and at banks (+SAR271.3 million) due to the increase in restricted cash with banks related to Nesaj Town Riyadh, Ayala Al-Nakheel, Nesaj Town Khobar, and Nesaj Town 2 and the increase in the receivable balance (+SAR106.3 million) largely related to Nesaj Town 2. This was partially offset by a decrease in contract assets (-SAR186.3 million) mainly on the back of invoicing customers following the progress in the construction works in Nesaj Town 2.

Non-current assets

Non-current assets increased from SAR222.1 million as of 31 December 2018G to SAR355.8 million as of 31 December 2019G as a result of the increase in investment properties (+SAR171.4 million) due to the transfer from Al-Fozan Holding Company to Al-Nakheel Lands (+SAR79.3 million) and the Group's acquisition of Nice lands (+SAR32.6 million), in addition to the reclassification of the lands of Bawabet Al Sharq project from properties for development and sale to investment properties (+SAR30.3 million). The increase in non-current assets was partially offset by a decrease in the non-current portion of properties for development and sale (-SAR74.8 million) as a result of transferring Al Qayrawan 2 project (+SAR43.0 million) to the current portion of properties for development and sale and land of Bawabet Al Sharq project to investment properties.

Non-current assets increased from SAR355.8 million as of 31 December 2019G to SAR561.9 million as of 31 December 2020G as a result of an increase in investment properties (+SAR118.8 million) due to the Group's acquisition of Wejha land (+SAR135.6 million) partially offset by the transfer of land plots (-SAR32.6 million) relating to the newly developed offices to property and equipment upon the completion of the construction. Non-current assets also increased due to the increase in property and equipment (+SAR85.3 million) as a result of transferring the new building related to the Group's offices (+SAR27.2 million) and its associated lands (+SAR32.6 million) to property and equipment, in addition to the Group's acquisition of lands in Riyadh (+SAR21.6 million).

Non-current assets increased from SAR561.9 million as of 31 December 2020G to SAR629.5 million as of 30 September 2021G as a result of the increase in investments in associates (+SAR151.2 million) on the back of the Group's acquisition of 30% of the shares in the Alpha Fund for SAR49.0 million and 22.5% in Al-Ahsa Real Estate Fund for SAR100.0 million over the same period. This was offset by the decrease in investment properties (-SAR98.5 million) following the sale of Wejha land (-SAR135.6 million) and the drop in the value of Al-Nakheel land as some land plots were transferred to properties for development and sale (-SAR71.4 million).

Liabilities and Equity

Current liabilities

Current liabilities increased from SAR261.5 million as of 31 December 2018G to SAR307.6 million as of 31 December 2019G as a result of the increase in accounts payable (+SAR52.0 million) due to the increase in payables to related parties (+SAR35.1 million) as a result of the increase in the current portion of the loan granted by Al-Fozan Holding Company, in addition to the increase in payables to suppliers and contractors (+SAR20.2 million) mainly related to the value of the lands payable to the Ministry of Municipal Rural Affairs and Housing pertaining to Nesaj Town 1 (+SAR10.4 million). This was partially offset by a decrease in Zakat payable (-SAR6.2 million).

Current liabilities increased from SAR307.6 million as of 31 December 2019G to SAR573.6 million as of 31 December 2020G mainly as a result of the increase in accounts payable (+SAR124.5 million) on the back of the increase the lands payable to the MoMRAH associated with Nesaj Town 1 and Nesaj Town 2 (+SAR51.4 million). This was coupled with the increase in the current portion of loans from nil as of 31 December 2019G to SAR83.7 million as of 31 December 2020G as a result of the loans from Al-Rajhi Bank and Riyadh Bank that the Group obtained during this period. In addition, the Group obtained a short-term loan of SAR50.0 million during the year 2020G in order to finance the working capital needs of the Group. This was partially offset by a decrease in the refundable incentives (-SAR35.0 million) following the settlement of the outstanding balance from the sale of proceeds of the units relating to Nesaj Town 1.

Current liabilities increased from SAR573.6 million as of 31 December 2020G to SAR901.8 million as of 30 September 2021G as a result of the increase in the current portion of term loans (+SAR197.8 million) following the financing facilities obtained by the Group from Al Bilad Bank and Arab National Bank and the increase in accounts payable (+SAR176.7 million) on the back of the increase in the lands payable balance due to MoMRAH (+SAR170.4 million) mainly in connection with Nesaj Town 2 (+136.7 million) and Nesaj Town Riyadh (+SAR33.7 million). This was partially offset by a decrease in the refundable incentives (-SAR115.0 million) on the back of paying the incentives in full following the sale of all the residential units in Nesaj Town 1.

Non-current liabilities

Non-current liabilities decreased from SAR128.6 million as of 31 December 2018G to SAR22.0 million as of 31 December 2019G as a result of the Group's repayment of the non-current portion of the loan from Al-Fozan Holding Company (-SAR120.0 million).

Non-current liabilities increased from SAR22.0 million as of 31 December 2019G to SAR77.2 million as of 31 December 2020G as a result of an increase in the non-current portion of term loans from Al Rajhi Bank and Riyadh Bank loans that the Group obtained during this period.

Non-current liabilities increased from SAR77.2 million as of 31 December 2020G to SAR113.6 million as of 30 September 2021G following the loans obtained by the Group from Al Bilad Bank and Arab National Bank during this period.

Equity

Total equity increased from SAR130.2 million as of 31 December 2018G to SAR346.2 million as of 31 December 2019G due to the increase in share capital (+SAR240.0 million) following contributions from the partners, amounting to SAR82.1 million to the share capital and transferring SAR157.9 million as additional capital from Al-Fozan Holding Company coupled with the increase in retained earnings (+SAR49.9 million).

Total equity increased from SAR346.2 million as of 31 December 2019G to SAR518.8 million as of 31 December 2020G due to the increase in share capital (+SAR125.0 million) based on the Group's shareholders' decision, and the increase in retained earnings (+SAR38.8 million) and statutory reserve (+SAR9.9 million), accordingly.

Total equity increased from SAR518.8 million as of 31 December 2020G to SAR563.8 million as of 30 September 2021G as a result of the increase in the share capital through the capitalization of retained earnings (+SAR25.0 million) based on the Group's shareholders' decision and the increase in retained earnings (+SAR19.9 million).

6.7.9 Current assets

6.7.9.1 Cash on hand and at banks

Table (6-12): Cash on hand and at banks as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Cash on hand	192	108	127	813
Cash at banks	84,863	9,529	64,854	335,465
Total	**85,055**	**9,637**	**64,981**	**336,277**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Cash on hand and at banks relates to cash available that is used to cover daily expenses and cash in the banks that includes balances with the bank maintained in an escrow account related to off-plan sales (in progress), where these funds will be used for financing projects.

Cash on hand

Cash on hand balance decreased from SAR192 thousand as of 31 December 2018G to SAR108 thousand as of 31 December 2019G. The balance increased to SAR127 thousand as of 31 December 2020G and further to SAR813 thousand as of 30 September 2021G.

Cash at banks

Cash at banks represents balances with local banks with a sound credit rating. Furthermore, these balances bear no interests. The carrying amount of these assets is approximately equal to their fair value.

Cash at banks decreased from SAR84.9 million as of 31 December 2018G to SAR9.5 million as of 31 December 2019G as a result of a decrease in restricted cash from SAR76.3 million to SAR5.5 million due to settling payments to contractors and subcontractors related to the Nesaj Town 1 project.

Cash at banks increased from SAR9.5 million as of 31 December 2019G to SAR64.9 million as of 31 December 2020G due to payments made by customers to purchase housing units in Nesaj Town 1 and 2.

Cash at banks increased from SAR64.9 million as of 31 December 2020G to SAR335.5 million as of 30 September 2021G as a result of advance payments from customers to purchase housing units in Nesaj Town 2, Nesaj Town Riyadh, Nesaj Town Khobar, and Ayala Al-Nakheel.

6.7.10 Equity instruments at FVOCI

Equity instruments at FVOCI amounted to SAR37.1 million as of 31 December 2018G and related to Group's shares in Derayah REIT listed on the Saudi Stock Exchange (Tadawul), which the Group acquired during the year 2017G, when it signed an agreement with Derayah Financial Company that manages the "**Derayah REIT**" fund, which operates in compliance with real estate investment funds and the instructions of real estate investment funds issued by the Capital Market Authority. According to the agreement, the Group sold projects for a cash and in-kind amount of SAR137.7 million in 2017G. The Group received the in-kind portion of the value representing 8.3 million units in the fund (7.7% of the total outstanding units). The Group did not record any equity instruments at fair value through comprehensive income as of 31 December 2019G after Retal Urban Development Company sold all its investments in Derayah shares 2019G. Hence equity instruments at FVOCI amounted to nil as of 31 December 2019G, 2020G and 30 September 2021G.

6.7.11 Prepayments and other receivables

Table (6-13): Prepayments and other receivables as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Value added tax	2,174	11,476	36,729	98,368
Advances to suppliers	10,522	7,590	39,957	46,491
Employee receivables	984	3,396	8,398	3,219
Prepaid expenses	8,869	6,198	7,026	8,532
Others	5,183	2,497	3,854	6,563
Total	**27,732**	**31,158**	**95,963**	**163,173**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Prepayments and other receivables mainly relate to value added tax, advances to suppliers, employees' receivables, among others.

Value added tax

Value added tax pertains to VAT receivables in connection with invoices paid to contractors and subcontractors which will be claimed from the Zakat, Tax and Customs Authority (ZATCA). Value added tax increased from SAR2.2 million as of 31 December 2018G to SAR11.5 million as of 31 December 2019G (+SAR9.3 million) mainly on the back of the increase in the balance pertaining to sales of Nesaj Town 1 villas (+SAR6.1 million).

Value added tax increased from SAR11.5 million as of 31 December 2019G to SAR36.7 million as of 31 December 2020G (+SAR25.3 million) mainly on the back of the increase in receivables in connection with Nesaj Town 1 and Nesaj Town 2 projects (+SAR10.8 million) in line with the increase in number of units sold, coupled with the increase in VAT receivable in connection with the balance paid to contractors and suppliers (+SAR13.4 million).

Value added tax further increased to SAR98.4 million as of 30 September 2021G as a result of the increase in VAT from 5% to 15% effective 1 July 2020G, coupled with the introduction of a new portal by the Zakat, Tax and Customs Authority (ZATCA) for property developers to submit their claims in October 2020G which required the Group to acquire a certificate as a property developer before they can claim their VAT (which the Group obtained in May 2021G). Value added tax however increased by SAR61.6 million as of 30 September 2021G primarily due to the accumulation of value added tax receivable related to invoices paid to contractors where claims were still being processed by the ZATCA, in addition to the increase in VAT related to standard rated domestic purchases (+SAR82.8 million).

Advances to suppliers

Advances to suppliers amounted to SAR10.5 million as of 31 December 2018G and decreased to SAR7.6 million as of 31 December 2019G in line with the decrease of advances to Distinct Arch Co – related to the Nesaj Town 1 project (-SAR3.4 million) and Afaq AlQarn Metal Industries Co. (-SAR1.8 million) as the services were rendered in the period. This was partially offset by the increase in the balance relating to Alfajr International Cont. Est. – pertaining to the Nesaj Town 2 project (+SAR1.2 million).

Advances to suppliers increased from SAR7.6 million as of 31 December 2019G to SAR40.0 million as of 31 December 2020G mainly on the back of the increase in advances paid to (i) DAC (+SAR10.8 million) in connection with turnkey contracting services for the Nesaj Town 2 project, (ii) Fanar Arabian International Contracting (+SAR7.0 million) in connection with turnkey contracting services for the Nesaj Town 2 project, and (iii) Al Kifah Contracting (+SAR6.4 million) in connection with precast concrete to be provided for the Nesaj Town 2 project.

Advances to suppliers increased from SAR40.0 million as of 31 December 2020G to SAR46.5 million as of 30 September 2021G mainly on the back of advances paid to Fatima Saleh Al Lubad Est. (SAR1.9 million) and Gulf Development Est. (SAR1.8 million). This was partially offset by the decrease in the advances to Al Kifah Contracting (-SAR6.4 million) and Distinct Architecture Contracting Company (-SAR6.8 million) as the services were provided.

Employee receivables

Employee receivables pertained to employees' loans which are granted upon Management's approval. All employees are eligible for advances amounting to two times their basic salaries, and these are deducted from employees' salaries in 12 equal instalments subsequently. No write-offs were required historically.

Employee receivables increased from SAR984 thousand as of 31 December 2018G to SAR3.4 million as of 31 December 2019G and further to SAR8.4 million as of 31 December 2020G on the back of the increase in the balance due from the Company's CEO from SAR184 thousand as of 31 December 2018G to SAR2.0 million as of 31 December 2019G and further to SAR7.0 million as of 31 December 2020G.

The balance decreased to SAR3.2 million (-SAR5.2 million) as of 30 September 2021G upon the settlement paid by the CEO (-SAR7.0 million), partially offset by additional loans granted to other employees.

Prepaid expenses

Prepaid expenses relate to rent expenses, government fees, and insurance paid in advance. Prepaid expenses decreased from SAR8.9 million as of 31 December 2018G to SAR6.2 million as of 31 December 2019G (-SAR2.7 million) on the back of the decrease in (i) prepaid rent by SAR2.7 million following the implementation of IFRS 16 and the capitalization of rent, (ii) prepaid expenses for Tadawul (-SAR831 thousand) relating to receivables in connection with the sale of shares in Derayah REIT, and (iii) prepaid maintenance and cleaning expenses (-SAR682 thousand). The decrease was partially offset by the increase in prepaid Iqama fees (+SAR2.4 million) due to the increase in number of employees during this period coupled with the increase in Iqama renewal fees effective as of 2019G.

Prepaid expenses increased from SAR6.2 million as of 31 December 2019G to SAR7.0 million as of 31 December 2020G mainly following the further increase in Iqama fees (+SAR1.0 million) on the back of the increase in the number of employees, coupled with the increase in prepaid showroom rent expense (+SAR729 thousand), partially offset by the decrease in prepaid marketing expenses (-SAR952 thousand) related to Al-Maali project.

Prepaid expenses increased from SAR7.0 as of 31 December 2020G to SAR8.5 million as of 30 September 2021G as a result of the increase in prepaid insurance expense (+SAR487 thousand) coupled with the issuance of a letter of guarantee related to Nesaj Town Riyadh (+SAR423 thousand). This balance was slightly offset by the decrease in prepaid rent for the Sakani Exhibition (-SAR729 thousand), and prepaid Iqama fees (-SAR340 thousand).

Others

Other prepaid expenses amounted to SAR5.2 million as of 31 December 2018G and mainly related to prepaid expenses to Tanmiyah Al Ilham Construction Co (-SAR3.0 million) in connection with prepaid sales commissions and Amjal Receivable (SAR1.2 million) relating to prepaid maintenance expenses. Others decreased from SAR5.2 million as of 31 December 2018G to SAR2.5 million as of 31 December 2019G on the back of the decrease in balance relating to Tanmiyah Al Ilham Construction Co. (-SAR3.0 million), partially offset by the increase in balance pertaining to Amjal by SAR0.7 million during the period.

Other prepaid expenses increased from SAR2.5 million as of 31 December 2019G to SAR3.9 million as of 31 December 2020G (+SAR1.4 million) as a result of the increase in value added tax receivables (+SAR1.5 million) and the increase in rent receivable (+SAR688 thousand) and receivables from Retal Square Owner's Committee (SAR629 thousand). The increase was partially offset by a decrease in Amjal receivable (-SAR1.9 million) related to maintenance costs.

Other prepaid expenses increased from SAR3.9 million as of 31 December 2020G to SAR6.6 million as of 30 September 2021G on the back of IPO related receivables (SAR3.5 million) and notes receivable (SAR1.2 million), offset by the decrease in VAT receivables from SAR1.5 million to nil during the same period.

6.7.12 Accounts receivable

Table (6-14): Accounts receivable as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Accounts receivable – third parties	7,319	83,746	75,941	183,661
Accounts receivable - related parties	26,656	10,932	8,146	5,622
Total	**33,975**	**94,678**	**84,087**	**189,283**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Total accounts receivable increased from SAR34.0 million as of 31 December 2018G to SAR94.7 million as of 31 December 2019G as a result of:

- An increase in the receivable balance due from third parties from SAR7.3 million as of 31 December 2018G to SAR83.7 million as of 31 December 2019G; and
- An increase in receivables from banks (+SAR62.8 million) in connection with financing facilities provided to clients who purchased residential villas in the Nesaj Town 1 project, in addition to receivables due from Durrar Almasahat (+SAR6.6 million) relating to the construction of strip mall in Al-Khobar city (Corniche Park).

This was offset by a decrease in the accounts receivable balance from related parties from SAR26.7 million as of 31 December 2018G to SAR10.9 million as of 31 December 2019G following the payment made by Maali Holding Company (Abdul Latif) and Abdullatif Ali Abdullatif Al-Fozan (-SAR12.0 million) related to the contracting services to develop a commercial property that the Group provided during 2017G, and from Nesaj Real Estate Residential Compound (SAR5.2 million) in connection with subcontracting services. This was partially offset by the increase in the balance due from Al Maali Real Estate Fund (+SAR1.4 million) related to the development and marketing services to be provided by the fund.

Total accounts receivable decreased from SAR94.7 million as of 31 December 2019G to SAR84.1 million as of 31 December 2020G as a result of:

- The decrease in the receivable balance from third parties from SAR83.7 million as of 31 December 2019G to SAR75.9 million as of 31 December 2020G after collecting the receivables related to Nesaj Town 1 (SAR62.8 million). This was offset by a partial increase in the dues from Maraye Al Juman Al Qahtani (SAR49.5 million) after selling Al-Aziziya land, coupled with the increase in the banks outstanding balances relating to Nesaj Town 2 customers (+SAR13.1 million).
- The decrease in the receivable balance from related parties from SAR10.9 million as of 31 December 2019G to SAR8.1 million as of 31 December 2020G following the settlements made by Al Maali Real Estate Fund (SAR2.4 million), and Arac Engineering Consultancy Office (SAR2.1 million), this was offset by a partial increase in the dues from Al Maali Holding Company (SAR2.3 million).

The total accounts receivable increased from SAR84.1 million as of 31 December 2020G to SAR189.3 million as of 30 September 2021G, as a result of:

- A decrease in the receivable balance from related parties from SAR8.1 million as of 31 December 2020G to SAR5.6 million as of 30 September 2021G following the settlements made by Al Maali Holding Company (-SAR1.8 million), offset by the increase in the dues from Alfa Saudi Equity Fund (+SAR2.6 million) following the sale of Wejha land.
- An increase in the receivable balance from third parties from SAR75.9 million as of 31 December 2020G to SAR183.7 million as of 30 September 2021G as a result of the increase in the receivable balances related to Nesaj Town 2 (+SAR83.6 million) and Nesaj Town Riyadh (+SAR40.5 million). This was offset by the payments made by Maraye Al Juman Al Qahtani (-SAR49.5 million)

Table (6-15): Accounts receivable as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Accounts receivable - current portion	19,359	93,451	81,218	187,511
Accounts receivable - non-current portion	14,616	1,227	2,869	1,772
Total	**33,975**	**94,678**	**84,087**	**189,283**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Total accounts receivable increased from SAR34.0 million as of 31 December 2018G to SAR94.7 million as of 31 December 2019G due to:

- Accounts receivable - current portion relates to balances that must be settled within one year of the covered period based on payment terms with the customer. The current portion of trade receivables increased from SAR19.4 million as of 31 December 2018G to SAR93.5 million as of 31 December 2019G due to an increase in the balance due from commercial banks on behalf of customers who purchased villas in the Nesaj Town 1 project (SAR62.8 million).
- Accounts receivable - non-current portion relates to balances expected to be collected after one year of the reporting period based on credit terms with customer and Management estimates. The non-current portion of receivables decreased from SAR14.6 million as of 31 December 2018G to SAR1.2 million as of 31 December 2019G mainly due to the settlement of the receivables from Abdullatif Ali Abdullatif Al-Fozan (SAR12.0 million), which relates to contracting services provided prior to 2017G.

Total accounts receivable decreased from SAR94.7 million as of 31 December 2019G to SAR84.1 million as of 31 December 2020G due to:

- A decrease in the current portion of accounts receivable from SAR93.5 million as of 31 December 2019G to SAR81.2 million as of 31 December 2020G (-SAR12.2 million) as a result of collecting the balance due from banks related to the Nesaj Town 1 project (-SAR62.8 million), partially offset by an increase in the receivables from Marai Al-Jamaan Al-Qahtani (+SAR49.5 million) as a result of selling Al Aziziya plot in addition to the increase in the balance due from banks related to sales of villas in the Nesaj Town 2 project (+SAR13.1 million);
- An increase in the non-current portion of accounts receivable from SAR1.2 million as of 31 December 2019G to SAR2.9 million as of 31 December 2020G mainly related to the balances due from Durar AlMasahat in relation to the construction of Corniche Park Mall (+SAR1.8 million) as Durar AlMasahat had been facing financial difficulties since the beginning of the year 2019G and accordingly was unable to settle the bills owed to the Group. In October 2020G, the Group reached an agreement with the customer to settle the outstanding balance during the following three years (December 2020G, December 2021G and December 2022G) by collecting the rent from the shops in the mall.

Total accounts receivable increased from SAR84.1 million as of 31 December 2020G to SAR189.3 million as of 30 September 2021G as a result of:

- An increase in the current portion of receivables from SAR81.2 million as of 31 December 2020G to SAR187.5 million as of 30 September 2021G (+SAR106.3 million) as a result of an increase in the balance due from 3 customers regarding Nesaj Town 2 (+SAR83.6 million), Nesaj Town Riyadh (+SAR40.5 million) and Nesaj Town Khobar (+SAR24.9 million). This was partially offset by the settlement of the balance related to Maraye Al Juman Al Qahtani balance (-SAR49.5 million) during the nine-month period ended 30 September 2021G.

A decrease in the non-current portion of receivables from SAR2.9 million as of 31 December 2020G to SAR1.8 million as of 30 September 2021G following the reclassification of the receivable balances related to an employee to "**employee receivables**" under prepayments.

Table (6-16): Aging of receivables - Third parties as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Current	6,833	32,104	60,553	20
Less than 180 days	249	46,723	6,129	169,399
181 to 365 days	209	4,919	5,356	9,587
366 to 730 days	21	-	3,902	4,424
More than 730 days	6	-	-	231
Total	**7,319**	**83,746**	**75,941**	**183,661**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

6.7.13 Inventory

Inventory amounted to SAR3.5 million as of 31 December 2018G and mainly related to building materials such as tiles, sewage systems, bathroom faucets, pipes, fittings, lamps, lighting fixtures and others. Inventory for building materials is purchased based on the planned need of the project and the materials can be used in multiple projects. Total inventory increased slightly to SAR4.4 million as of 31 December 2019G due to the increase in building materials in line with the increase in the level of activity and the number of projects.

Inventory increased significantly to SAR22.3 million (+SAR17.9 million) as of 30 December 2020G mainly on the back of the increase in steel inventory (+SAR14.8 million) which was purchased in bulk in September 2020G before the VAT increase across the Kingdom of Saudi Arabia from 1 July 2020G to avoid the extra cost. The initial plan was to use the iron purchased in Nesaj Town 2, but it was replaced with ready-made concrete, so the Group used the balance of iron inventory in Nesaj Town Riyadh. The Group bought iron prior to 2020G based on the project needs only, and therefore the Group did not keep any inventory previously, as it is disbursed directly.

Inventory dropped to SAR16.6 million as of 30 September 2021G due to a decrease in steel inventory (-SAR7.3 million given it was used in Nesaj Town 2 and Nesaj Town Riyadh, partially offset by the increase in the building materials and labors uniforms purchased in the nine-month period ended 30 September 2021G.

6.7.14 Contract assets

Contract assets are initially recognized on revenue generated from construction and development contracts. Contract assets represent the value of work executed by the Group during the year that have not been billed to customers, as the receipt of consideration is conditional on the successful completion of the main stages. Upon completion of the milestones and their acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables.

The Group did not record any provisions related to contract assets, as the balances mainly relate to Nesaj Town (1, 2 and Riyadh) projects, which are developed in partnership with the Ministry of Municipal Rural Affairs and Housing and accordingly the Group considers that the selling price will be collected from the commercial banks (which provide loans to buyers) with high credit rating. In addition, according to the sale agreement, if any buyer fails to pay their dues to the bank, the Ministry will replace the current buyer with a new buyer. The Group does not bear any credit risks related to the contract assets.

Contract assets amounted to SAR74.8 million as of 31 December 2018G and are primarily related to the Nesaj Town 1 project (SAR60.7 million) and the Social Health Club project (SAR10.1 million). Contract assets increased to SAR150.5 million as of 31 December 2019G mainly due to the increase in contract assets pertaining to the Nesaj Town 1 project to SAR139.2 million (+SAR78.5 million as compared to 31 December 2019G), where the completion rate was c. 62% as of 31 December 2019G as compared to c. 15% as of 31 December 2018G. The increase was partially offset by a decrease in the contract assets related to the Social Health Club project due to of the completion of the project and the issuance of related invoices.

Contract assets increased to SAR203.8 million (+SAR53.3 million) as of 31 December 2020G, in line with the increase in the balance related to Nesaj Town 2 from SAR2.4 million as of 31 December 2019G to SAR170.6 million as of 31 December 2020G due to the completion of c. 30% of the project during 2020G. This was partially offset by a decrease in the balance related to the Nesaj Town 1 project from SAR139.2 million as of 31 December 2019G to SAR27.0 million as of 31 December 2020G as a result of issuing invoices related to the project after receiving confirmation from auditors and technical consultants.

Contract assets decreased to SAR17.4 million as of 30 September 2021G on the back of the drop in the balance related to Nesaj Town 2 to nil (-SAR170.6 million) and Nesaj Town 1 (-SAR15.4 million) following the issuance of the invoices upon clients' approval.

6.7.15 Investments at fair value through profit or loss

Investments at fair value through profit or loss amounted to SAR2.0 million as of 30 September 2021G and mainly related to the Group's 6,178 shares (SAR933 thousand) and Nesaj's 6,864 shares (SAR1.0 million) in STC Solutions.

6.7.16 Properties for development and sale

Table (6-17): Properties for development and sale, non-current as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	Lands	Construction and development costs	Total
Long term			
1 January 2018G	50,076	29,722	79,798
Additions	-	12,849	12,849
Transferred to real estate investment	(535)	(845)	(1,380)
Unit cost - projects sold	(3,746)	(10,559)	(14,305)
At 31 December 2018G	**45,795**	**31,168**	**76,962**
Additions	-	8,511	8,511
Transferred to real estate investment	(30,276)	(9,207)	(39,483)
Transferred to short term real estate	(15,519)	(28,263)	(43,782)
At 31 December 2019G	**-**	**2,208**	**2,208**
Transferred to real estate under short-term development	-	(2,208)	(2,208)
At 31 December 2020G	**-**	**-**	**-**
Additions	18,296	-	18,296
At 30 September 2021G	**18,296**	**-**	**18,296**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Properties that are constructed or developed for sale in the ordinary course of the Group's business are classified as properties for development and sale until completion of construction or development.

Properties that are built or developed on leasehold land in the ordinary course of business of the Group are classified as properties for development and sale until completion of construction or development, at which point they are transferred to investment property under non-current assets. Properties for development and sale include the costs incurred in building and developing these properties (construction cost, design cost, financing cost, etc.).

Properties for development and sale that are expected to be ready for sale within the next twelve months are classified as part of the Group's current assets.

Properties for development and sale, non-current decreased from SAR77.0 million as of 31 December 2018G to SAR2.2 million as of 31 December 2019G due to the conversion of the lands associated with the Bawabat AlSharq project to investment properties after the Group's decision not to proceed with the project after assessing its economic feasibility and converting the lands associated with the Qayrawan 2 project into short-term properties, as the project is expected to be completed within a period of 12 months. This was coupled with transferring the value of SAR7.6 million of construction and development related to the development of the Group's new offices into investment properties, which were added during the year.

Properties for development and sale, non-current decreased from SAR2.2 million as of 31 December 2019G to nil as of 31 December 2020G as a result of transferring the feasibility costs incurred in Al-Nakheel Towers - Al-Khobar (SAR754 thousand) to short-term properties in addition to transferring the costs of a feasibility study (SAR622 thousand) for a number of projects that the Group decided not to implement to short-term real estate.

Properties for development and sale, non-current increased to SAR18.3 million as of 30 September 2021G following the land purchase related to Project Coya.

Table (6-18): Properties for development and sale - current as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	Lands	Construction and development costs	Total
Short term			
1 January 2018G	13,422	31,382	44,803
Additions	-	25,878	25,878
Transferred to real estate investment	(995)	(1,866)	(2,862)
Unit cost - projects sold	(3,285)	(13,794)	(17,079)
At 31 December 2018G	**9,141**	**41,599**	**50,740**
Additions	23,866	49,535	73,401
Transferred from investment real estate	7,405	-	7,405
Transferred from properties under long-term development	15,519	28,263	43,782
Transferred to real estate investment	(2,066)	(3,915)	(5,981)
Unit cost - projects sold	(45,731)	(87,484)	(133,214)
Contract cost	-	(5,245)	(5,245)
At 31 December 2019G	**8,134**	**22,754**	**30,888**
Additions	68,048	481,501	549,549
Transferred from properties under long-term development	-	2,208	2,208
Transferred from investment real estate	2,630	4,595	7,225
Transferred to real estate investment	(1,186)	(3,002)	(4,187)
Unit cost - projects sold	(35,295)	(410,675)	(445,970)
Transferred to property and equipment	-	(225)	(225)
At 31 December 2020G	**42,331**	**97,157**	**139,488**

SAR in 000s	Lands	Construction and development costs	Total
Additions	60,447	423,665	484,112
Transferred from investment real estate	72,879	3,046	75,925
Unit cost - projects sold	(7,073)	(465,673)	(472,745)
At 30 September 2021G	**168,584**	**58,196**	**226,780**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Properties for development and sale, current decreased from SAR50.7 million as of 31 December 2018G to SAR30.9 million as of 31 December 2019G due to the decrease in construction and development costs from SAR41.6 million to SAR22.8 million during the period as a result of charging the construction and development costs of the units sold during this period to the cost of revenue (SAR87.5 million), which mainly pertained to the sale of housing units in the Qayrawan1 project (SAR35.0 million), Qayrawan2 project (SAR23.2 million) and the Al-Samhanya Project (SAR5.3 million). This was partially offset by:

- Additions of SAR49.5 million mainly related to the Qayrawan 1 project, where the Group acquired 37 villas in the project in return for its c. 57% stake in the Ewan Al-Maali Real Estate Fund, in addition to the Al-Remal Chalet project (SAR5.3 million).
- Transfers from long-term properties related to construction and development costs (SAR28.3 million) mainly related to Qayrawan 2 project (SAR27.0 million).
- Decrease in lands value from SAR9.1 million to SAR8.1 million as a result of charging the cost of the lands related to the units sold during this period to the cost of revenue (SAR45.7 million) mainly in connection with Qayrawan 1 (SAR21.7 million) and Qayrawan 2 (SAR12.3 million Saudi riyals). This was offset by additions amounting to SAR23.9 million in connection with the lands where Qayrawan 1 villas were built.
- Transfers from long-term properties related to unit and land costs (SAR15.5 million) mainly related to Qayrawan 2 project.
- In addition to transfers from investment properties amounting to SAR7.4 million related to the lands sold in connection with Qayrawan project during 2019.

Properties for development and sale, current increased from SAR30.9 million as of 31 December 2019G to SAR139.5 million as of 31 December 2020G due to the increase in construction and development costs from SAR22.8 million to SAR97.2 million during this period as a result of the additions (SAR481.5 million) from capitalization of construction works related to Nesaj Town 1 (SAR68.8 million), Nesaj Town 2 (SAR284.6 million), Ewan Al Maali Al Khobar (SAR66.2 million), and Nesaj Town Khobar (SAR38.5 million). This was partially offset by charging the construction and development costs of the units sold during this period to the cost of revenue (SAR410.7 million), which is related to Nesaj Town 1 (SAR68.8 million), Nesaj Town 2 (SAR249.8 million), and Ewan Al-Maali Al-Khobar (SAR59.6 million). This was coupled with the increase in the value of the land from SAR8.1 million to SAR42.3 million during the period as a result of additions worth SAR68.0 million related to the Nesaj Town Khobar project, where during the year 2020G, the Group acquired 52 villas and lands within the Nesaj Town Khobar project, and was able to sign a contract for the development of this project with Ministry of Municipal Rural Affairs and Housing to add 118 villas and sell it through the Ministry's platforms to the beneficiaries of the Wafi program. The project is expected to start during the third quarter of 2021G. The increase in properties for development and sale, current was partially offset by charging the cost of land related to the units sold during this period to the cost of revenue (SAR35.3 million) and is mainly related to the Nesaj Town Khobar project, where the Group sold plots of land in the project during this period (SAR26.8 million).

Properties for development and sale, current increased to SAR226.8 million (+SAR87.3 million) as of 31 September 2021G on the back of the increase in (i) the value of Derayyah Land Riyadh following the additional development work on the land (+SAR78.7 million), (ii) Ayala Al-Nakheel (Ewan Al-Nakheel) (+SAR52.1 million) due to the transfer of the land plots from investment to development properties as Management decided to develop the land into residential units, and the increase in (iii) Remal Villas – Aziziah following the kick-off of the 52 villas project (+SAR39.5 million). This was partially offset by the sales of units in Nesaj Town Khobar (Aziziah) (-SAR61.0 million) and Nesaj Town 2 (-SAR36.0 million).

Table (6-19): Additions to properties for development and sale - current as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Nesaj Town 2	-	-	284,583	338,113
Derayyah Land Riyadh	-	-	-	78,743
Nesaj Town Riyadh	-	-	-	45,697
Nesaj Town Khobar	-	-	106,570	21,153
Al-Remal Chalet	-	5,344	-	1,768
Nesaj Town 1	-	-	68,762	1,679
Ewan Al-Maali Real Estate Fund	-	-	66,214	-
Qayrawan	11,064	62,785	-	-
Retal Business Tower	-	7,529	-	-
Al Dawahai	21,485	-	-	-
Other	6,178	6,254	23,410	15,256
Total	**38,727**	**81,912**	**549,539**	**502,409**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Table (6-20): Disposal of properties for development and sale - current as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Nesaj Town 2	-	-	249,837	374,082
Nesaj Town Riyadh	-	-	-	37,403
Nesaj Town Khobar	-	-	26,827	22,308
Al-Remal Chalet	-	-	3,380	1,768
Nesaj Town 1	-	-	68,762	1,524
Ewan Al-Maali Real Estate Fund	-	3,562	59,628	-
Qayrawan	9,660	92,190	10,590	-
Al Dawahai	5,658	14,722	-	-
Retal Business Tower	6,295	7,774	-	-
Other	9,771	14,965	26,947	35,659
Total	**31,384**	**133,213**	**445,971**	**472,745**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The Group acquired properties to develop and sell amounting to SAR549.5 million as of 31 December 2020G, most of which are additions to Nesaj Town 2 (SAR284.6 million), Nesaj Town Khobar (SAR106.7 million), and Ewan Al Maali (SAR66.2 million). During this period, the Group disposed properties for development and sale amounting to SAR446.0 million, most of which related to Nesaj Town 2 (SAR249.9 million), Nesaj Town 1 (SAR68.8 million), and Ewan Al Maali (SAR59.7 million).

The Group acquired properties to develop and sell amounting to SAR502.4 million as of 30 September 2021G, most of which are additions to Nesaj Town 2 (SAR338.1 million), Derayyah land Riyadh (SAR78.7 million), and Nesaj Town Riyadh (SAR45.7 million). During this period, the Group disposed properties for development and sale amounting to SAR472.7 million, most of which related to Nesaj Town 2 (SAR374.1 million), Nesaj Town Riyadh (SAR37.4 million), and Nesaj Town Khobar (SAR22.3 million).

6.7.17 Non-current assets

6.7.17.1 Property and equipment

Table (6-21): Property and equipment as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	Furniture, fixtures, and office equipment	Machinery and equipment	Vehicles	Lease hold improvements	Buildings	Land	Capital work in progress	Total
Cost								
1 January 2018G	5,931	15,699	2,412	2,801	-	-	417	27,259
Additions	346	337	339	-	-	-	-	1,022
Disposals	-	-	(180)	-	-	-	-	(180)
Transferred to intangible assets	-	-	-	-	-	-	(417)	(417)
31 December 2018G	6,276	16,036	2,570	2,801	-	-	-	27,684
Additions	1,005	846	860	-	-	-	-	2,711
Disposal	-	(617)	(345)	(409)	-	-	-	(1,371)
31 December 2019G	**7,281**	**16,265**	**3,085**	**2,392**	**-**	**-**	**-**	**29,024**
Additions	1,603	2,167	723	1,145	-	21,622	719	27,978
Transferred from real estate investments	81	-	-	-	27,202	32,566	-	59,849
Transferred to properties under development	225	-	-	-	-	-	-	225
Disposals	(49)	(1,298)	(492)	(2,392)	-	-	-	(4,231)
31 December 2020G	9,141	17,134	3,316	1,145	27,202	54,187	719	112,845
Additions	1,570	1,996	1,554	79	274	-	443	5,916
Transferred to properties under development	262	-	(28)	(262)	1,003	-	-	975
Disposals	(6)	-	-	-	-	-	-	(6)
30 September 2021G	**10,968**	**19,130**	**4,841**	**962**	**28,479**	**54,187**	**1,162**	**119,730**
Accumulated depreciation								
1 January 2018G	4,200	14,418	1,423	2,635	-	-	-	22,676
Charge for the year	631	391	191	84	-	-	-	1,298

SAR in 000s	Furniture, fixtures, and office equipment	Machinery and equipment	Vehicles	Lease hold improvements	Buildings	Land	Capital work in progress	Total
Disposals	-	-	(36)	-	-	-	-	(36)
31 December 2018G	**4,831**	**14,809**	**1,578**	**2,719**	**-**	**-**	**-**	**23,937**
Charge for the year	652	403	221	68	-	-	-	1,345
Disposals	-	(582)	(193)	(395)	-	-	-	(1,170)
31 December 2019G	**5,483**	**14,630**	**1,607**	**2,392**	**-**	**-**	**-**	**24,112**
Charge for the year	632	506	348	304	775	-	-	2,565
Disposals	(45)	(1,254)	(353)	(2,392)	-	-	-	(4,044)
31 December 2020G	**6,070**	**13,882**	**1,602**	**304**	**775**	**-**	**-**	**22,633**
Charge for the year	773	561	333	192	1,269	-	-	3,128
Disposals	(85)	-	-	-	-	-	-	(85)
30 September 2021G	**6,758**	**14,443**	**1,935**	**496**	**2,043**	**-**	**-**	**25,675**
Net book value								
30 September 2021G	**4,210**	**4,687**	**2,906**	**466**	**26,436**	**54,187**	**1,162**	**94,054**
31 December 2020G	**3,071**	**3,252**	**1,713**	**841**	**26,428**	**54,187**	**719**	**90,212**
31 December 2019G	**1,798**	**1,636**	**1,478**	**-**	**-**	**-**	**-**	**4,912**
31 December 2018G	**1,445**	**1,228**	**992**	**82**	**-**	**-**	**-**	**3,747**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis by category.

Furniture, fixtures, and office equipment

Furniture, fixtures, and office equipment mainly consist of office equipment and small appliances such as air conditioning units, vacuum cleaners, refrigerators, etc. The net book value of office furniture, fixtures and equipment increased from SAR1.4 million as of 31 December 2018G to SAR1.8 million as of 31 December 2019G driven by the Group's needs.

The net book value of furniture, fixtures and office equipment also increased from SAR1.8 million as of 31 December 2019G to SAR3.1 million as of 31 December 2020G as a result of the Group's new office that was completed during 2020G.

The net book value of office furniture, fixtures and office equipment increased from SAR3.1 million as of 31 December 2020G to SAR4.2 million as of 30 September 2021G following the move of the Group to the new RBC building.

Machinery and equipment

Machinery and equipment mainly consist of forklifts, generators, and other heavy equipment used in construction workshops. The net book value of machinery and equipment increased from SAR1.2 million as of 31 December 2018G to SAR1.6 million as of 31 December 2019G and further to SAR3.3 million as of 31 December 2020G in line with the growth in the operations of the Group. Machinery and equipment increased from a net book value of SAR3.3 million as of 31 December 2020G to SAR4.7 million as of 30 September 2021G, as the Group made additions amounting to SAR2.0 million during this period.

It is worth noting that the Group has modified the useful life of machinery and equipment from 4 years in 2018G and 2019G to 5 years in 2020G.

Vehicles

Vehicles consist of cars used to transport employees to construction sites. The net book value of vehicles increased from SAR992 thousand as of 31 December 2018G to SAR1.5 million as of 31 December 2019G and further to SAR1.7 million as of 31 December 2020G and SAR2.9 million as of 30 September 2021G in line with the growth in the operations of the Group and the increase in the number of projects.

The Group has modified the useful life of cars from 5 years during 2018G and 2019G to 5 years during 2020G.

Leasehold improvements

Leasehold improvements mainly pertain to improvements to the leased head office (Al Turki Building). The net book value of leasehold improvements decreased from SAR82 thousand as of 31 December 2018G to nil as of 31 December 2019G as a result of depreciation charges and disposals coupled with no new additions to leasehold improvements during the period.

The net book value of the leasehold improvements increased from nil as of 31 December 2019G to SAR841 thousand as of 31 December 2020G as a result of the completion of work that was implemented in the leased Riyadh office.

The net book value of leasehold improvements decreased from SAR841 thousand as of 31 December 2020G to SAR466 thousand as of 30 September 2021G as a result of the accumulated depreciation costs during the period coupled with minimal additions during the period.

The Group has modified the useful life of leasehold improvements from 4 years during 2018G and 2019G to 4 years or the lease term, whichever is less, during the year 2020G.

Buildings

The net book value of the buildings increased from nil as of 31 December 2018G and 2019G to SAR26.4 million as of 30 December 2020G as a result of additions of a new building that was built in Al-Khobar.

The net book value of the buildings remained stable at SAR26.4 million as of 31 December 2020G and at 30 September 2021G as a result of the reclassification from properties for development and sale to buildings for additional construction in the Group's new building, partially offset by the depreciation charges.

Land

The net book value of the land increased from nil as of 31 December 2018G and 2019G to SAR54.2 million as of 31 December 2020G and as of 30 September 2021G as a result of additions to land on which the Group's new offices, Retal Business Tower, was constructed (+SAR32.6 million) coupled with the Group's acquisition of a new plot of land in Riyadh which is expected to be used for additional offices for the Group.

The net book value of lands remained stable at SAR26.4 million as of 30 September 2021G as the Group didn't buy any lands during this period.

Capital work in progress

Capital work in progress was nil as of 31 December 2018G and 2019G and increased to SAR719 thousand as of 31 December 2020G and further to SAR1.2 million as of 30 September 2021G as a result of additional construction in Retal Tower, which is expected to be completed during the year 2021G.

6.7.18 Right-of-use

Table (6-22): Right of use assets as of 31 December 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Cost			
1 January	27,841	27,841	29,686
Additions	-	2,615	-
Disposal	-	(770)	-
End of period	**27,841**	**29,686**	**29,686**
Accumulated depreciation			
1 January	-	7,377	14,770
Charge during the year	7,377	7,884	6,075
Disposal	-	(490)	-
End of period	**7,377**	**14,770**	**20,845**
Net book value	**20,464**	**14,916**	**8,841**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Prior to 31 December 2018G, rented property, plant and equipment were classified as operating leases with payments expensed as operating lease expense (after deducting any incentives received from the lessor) and charged to the consolidated statement of comprehensive income on a straight-line basis over the lease period.

The Group applied IFRS 16 "**Lease Contracts**" retroactively from 1 January 2019G and recognized the lease contracts as right of use assets and with corresponding liabilities on the date the leased asset was made available for use to the Group. Right of use use mainly related to lease contracts in connection with staff accommodations at the Grand building and shops in the Valley strip mall which are sub-leased to third parties in exchange for rental income.

Right of use assets dropped from SAR20.5 million as of 31 December 2019G to SAR14.9 million as of 31 December 2020G due to the depreciation expense recognized during the year (+SAR7.4 million), coupled with the termination of staff accommodation contracts relating to 14 apartments (-SAR770 thousand), partially offset by other staff accommodation contracts and the new office in Riyadh (+SAR2.6 million).

Right of use assets dropped from SAR14.9 million to SAR8.8 million at 30 September 2021G on the back of the accumulated depreciation expense (SAR20.9 million).

6.7.19 Investment properties

Table (6-23): Investment properties as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR 000s	Lands	Buildings	Capital work in progress	Total
Cost				
1 January 2018G	29,276	5,940	-	35,216
Transferred to properties under development	1,530	2,711	-	4,242
31 December 2018G	30,807	8,651	-	39,458
Additions	32,566	22,685	-	55,251
Transferred from related parties	79,296	-	-	79,296
Transferred from properties under development	32,341	5,529	7,593	45,464

SAR 000s	Lands	Buildings	Capital work in progress	Total
Transferred to properties under development	(7,405)	-	-	(7,405)
Disposals	(249)	(460)	-	(709)
31 December 2019G	**167,356**	**36,405**	**7,593**	**211,354**
Additions	159,863	3,653	19,886	183,402
Transfer from capital work in progress	-	196	(196)	-
Transferred from properties under development	1,186	3,002	-	3,002
Transferred to property and equipment	(32,566)	-	(27,284)	(59,849)
Transferred to properties under development	(2,630)	(5,171)	-	(7,801)
31 December 2020G	**293,209**	**38,085**	**-**	**331,294**
Additions	114,225	295	-	114,519
Disposal of subsidiary	(135,581)	-	-	(135,581)
Transferred to properties under development	(72,879)	(3,451)	-	(76,330)
Transferred to property and equipment	-	(277)	-	(277)
30 September 2021G	**198,974**	**34,651**	**-**	**233,625**
Accumulated depreciation				
1 January 2018G	-	91	-	91
Charged during the year	-	284	-	284
31 December 2018G	**-**	**375**	**-**	**375**
Charged during the year	-	560	-	560
Disposals	-	(18)	-	(18)
31 December 2019G	**-**	**916**	**-**	**916**
Charged during the year	-	1,755		1,755
Transferred to properties under development	-	(576)	-	(576)
31 December 2020G	**-**	**2,095**	**-**	**2,095**
Charged during the year	-	1,227	-	1,227
Transferred to properties under development	-	(405)	-	(405)
30 September 2021G	**-**	**2,918**	**-**	**2,918**
Net book value				
31 December 2018G	**30,807**	**8,277**	**-**	**39,083**
31 December 2019G	**167,356**	**35,489**	**7,593**	**210,438**
31 December 2020G	**293,209**	**35,989**	**-**	**329,198**
30 September 2021G	**198,974**	**31,733**	**-**	**230,707**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Investment properties are recorded at cost less accumulated depreciation and are assessed at the end of each reporting period for any indicator of impairment. The depreciation of investment properties is based on the straight-line method over the estimated useful life of the property. Buildings and their components are depreciated on a straight-line basis over the estimated useful live of 10 to 30 years.

Rental income from investment properties is recognized as income on a straight-line basis over the term of the lease. The lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Investment properties relate to apartments held for the purpose of generating rental income and land held for future development. Investment properties are stated at cost (including construction costs, design costs, consultancy fees, finance charges, insurance charges and any other direct cost) less accumulated depreciation costs and are valued at the end of each reporting period for any indication of impairment. The investment is depreciated on a straight-line method over the estimated useful life of the property. Investment properties are valued at the end of the financial year by independent valuer who is licensed by Saudi Authority for Accredited Valuers. Investment properties amounted to SAR209.3 million as of 31 December 2019G, compared to a book value of SAR210.4 million. However, the Group did not record any impairment as the amount was immaterial.

Investment properties increased from SAR39.1 million as of 31 December 2018G to SAR210.4 million as of 31 December 2019G as a result of:

- The increase in land from SAR30.8 million as of 31 December 2018G to SAR167.4 million as of 31 December 2019G as a result of (1) the transfer of Al-Nakheel land plots from Al-Fozan Holding in Khobar of SAR42.3 million, (2) the Group's acquisition of lands in Al Khobar of SAR32.7 million to be developed as offices for the Group during the year 2020G and showrooms for the purpose of renting, and (3) reclassifying the Bawabat AlSharq project land from properties for development and sale (SAR30.3 million) after the Group decided not to develop the project after re-evaluating its financial feasibility.
- The increase in buildings from SAR8.7 million as of 31 December 2018G to SAR36.4 million as of 31 December 2019G mainly due to the capitalization of building and construction works for Nice Hall (SAR22.4 million).
- Increase in work in progress from nil as of 31 December 2018G to SAR7.6 million as of 31 December 2019G as a result of the commencement of development work for the Group's headquarters and offices.

Investment properties increased from SAR210.4 million as of 31 December 2019G to SAR329.2 million as of 31 December 2020G due to the increase in the value of lands from SAR167.4 million to SAR293.2 million during the period, as a result of the Group's acquisition of a plot of land (Wejha) with the aim of developing it. This was partially offset by the conversion of the land on which the Group's new offices were built into property and equipment of the Group. The increase in investment properties was partially offset by a decrease in the capital work in progress from SAR7.6 million as of 31 December 2019G to nil as of 31 December 2020G as a result of the completion of development work for the headquarter and offices and the transfer of related amounts to property and equipment.

Investment properties decreased from SAR329.2 million as of 31 December 2020G to SAR230.7 million as of 30 September 2021G mainly due to the decrease in the value of the lands from SAR293.2 million to SAR199.0 million during the period, as a result of the disposal of a subsidiary company (Wejha land) (SAR135.6 million), in addition to the drop in Al-Nakheel lands (-SAR37.2 million) as a result of converting part of Al-Nakheel lands (SAR71.5 million) into properties for development and sale after the decision to start the construction of Ayala Al-Nakheel project. This was partially offset by the Group's acquisition of additional plots of land worth SAR80.0 million in Ayala Al-Nakheel.

6.7.20 Intangible assets

Table (6-24): Intangible assets as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	Goodwill	Software and ERP	Total
Cost			
1 January 2018G	3,088	809	3,897
Additions	-	66	66
Transfer from capital work in progress	-	417	417
31 December 2018G	**3,088**	**1,292**	**4,380**
Additions	-	60	60
31 December 2019G	**3,088**	**1,352**	**4,440**
Disposal	-	(327)	(327)
31 December 2020G	**3,088**	**1,025**	**4,113**
Additions	-	36	36
30 September 2021G	**3,088**	**1,061**	**4,149**
Accumulated amortization			
1 January 2018G	-	418	418
Charge during the year	-	148	148
31 December 2018G	**-**	**566**	**566**
Charge during the year	-	147	147
31 December 2019G	**-**	**714**	**714**
Charge during the year	-	228	228
Disposal	-	(327)	(327)
31 December 2020G	**-**	**614**	**614**
Charge during the year	-	166	166
30 September 2021G	**-**	**779**	**779**
Net book value			
31 December 2018G	**3,088**	**726**	**3,814**
31 December 2019G	**3,088**	**639**	**3,727**
31 December 2020G	**3,088**	**411**	**3,499**
30 September 2021G	**3,088**	**281**	**3,370**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Goodwill

The net book value of goodwill remained stable at SAR3.1 million as of 31 December 2018G, 2019G, 2020G and 30 September 2021G and is related to the value paid over the fair value of the net assets of the Development and Construction Company acquired by the Group in 2014G. Goodwill is tested for impairment annually by the Group's auditors.

Software and ERP

Software and ERP is mainly related to the Group's ERP software. The net book value of the software and ERP decreased from SAR726 thousand as of 31 December 2018G to SAR639 thousand as of 31 December 2019G, to SAR411 thousand as of 31 December 2020G and further to SAR281 thousand as of 30 September 2021G as a result of depreciation charges coupled with minimal additions throughout the historical period.

The Group signed an agreement to purchase the Enterprise Resource Planning (ERP) system from (Oracle) in 2021G at an estimated total cost of SAR2.6 million.

6.7.21 Investment in associates

Table (6-25): Investment in associates as of 31 December 2018G, 2019G, 2020G, and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Saudi Tharwa Company	-	-	121,250	123,485
Al-Ahsa Real Estate Fund ("**Al-Ahsa**")	-	-	-	100,000
Alpha Real Estate Development Fund 1 ("**Alpha**")	-	-	-	48,985
Nesaj Company for Residential Compounds	-	72,357	-	-
Ewan AL Maali Real Estate Fund	39,886	40,463	-	-
Ewan Qayrawan Real Estate Fund	43,958	-	-	-
Total	**83,843**	**112,820**	**121,250**	**272,470**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Table (6-26): Ownership percentage in associates as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Saudi Tharwa Company	-	-	39.5%	39.5%
Al-Ahsa Real Estate Fund ("**Al-Ahsa**")	-	-	-	22.5%
Alpha Real Estate Development Fund 1 ("**Alpha**")	-	-	-	30.0%
Nesaj Company for Residential Compounds	-	45.0%	-	-
Ewan Al-Maaly Real Estate Fund	54.2%	54.2%	-	-
Ewan Qayrawan Real Estate Fund	57.0%	-	-	-

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Investments in associates amounted to SAR83.8 million as of 31 December 2018G pertaining to 54.2% ownership of the Group in Ewan Al-Maali real estate. The Group owns 412,900 units out of 762,500 units, with a nominal value of SAR100 per unit and the Group's 57.0% ownership in the Ewan Al-Qayrawan Real Estate Fund with a value of SAR44.0 million. In 2015G, the Group sold a land with a book value of SAR91.7 million to the Ewan Qayrawan Real Estate Fund managed by Swicorp for SAR96.5 million. The Group received an amount of SAR32.6 million in cash and SAR63.9 million in the form of an investment in 6.4 million units, representing 57.0% of the fund's total units of 11.2 million with a nominal value of SAR10 each.

Investment in associates increased from SAR83.8 million as of 31 December 2018G to SAR112.8m as of 31 December 2019G due to the transfer of 45% of the shares of Nesaj for Residential Compounds (amounting to SAR72.3 million) from Al-Fozan Holding Company. The Group did not record any investment in the Ewan Qayrawan Real Estate Fund after the Group sold its entire investment in this fund in exchange for the purchase of 44 villas in the Ewan Qayrawan 2 project.

During the year 2020G, the Group recovered its investment in the Ewan Al-Maali Real Estate Fund (SAR40.5 million) in exchange for 32 villas in the Ewan Al-Maali project and Al-Khobar project, in addition to transferring the investment in the Nesaj Company for Residential Compounds to Al-Fozan Holding Company as of 1 January 2020G, with Al-Fozan Holding Company transferring 39.5%, a total of 15,800 shares out of 40,000 shares at SAR1 thousand Saudi riyals per share worth SAR121.2 million, from the shares of Saudi Tharwa Company to Retal Urban Development Company.

Investment in associates increased to SAR272.5 million as of 30 September 2021G due to the acquisition of 30% of the shares in the Alpha Fund. Additionally, the Group owned 100% of the stake in Wejha United Real Estate Company, and during the nine-month period ended 30 September 2021G, the Group sold all its shares to the Alpha Saudi Equity Fund for SAR152.2 million. The Alpha Saudi Equity Fund has established a fund that owns Wejha land ("**Alpha Fund**"). Post this transaction, the Group acquired 30% of the Alpha Fund for SAR49.0 million. The fund's function consists of developing the Wejha land into housing units for middle and high-income families under two trade names "**Ayala**" and "**Ewan**". In addition to developing the infrastructure of part of the land and selling it to real estate developers, the Group will undertake the development of the infrastructure and marketing for the project. In addition, the Group acquired 22.5% of Al-Ahsa Real Estate Fund ("**Al-Ahsa**") for SAR100.0 million.

6.7.22 Current liabilities

6.7.22.1 Accounts Payable

Table (6-27): Accounts payable as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Accounts payable	14,396	32,070	121,752	284,394
Retention payable	4,981	8,142	13,748	3,080
Accounts payable to related parties	185,510	98,757	123,960	158,650
Total	**204,887**	**138,968**	**259,460**	**446,124**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Accounts payable

Accounts payable amounted to SAR14.4 million as of 31 December 2018G and increased to SAR32.1 million as of 31 December 2019G as a result of the increase in the balance owed to Ministry of Municipal Rural Affairs and Housing from the lands associated with the housing units sold in the Nesaj Town 1 project, which is the land price payable in relation to the projects developed by the Group on land owned by Ministry of Municipal Rural Affairs and Housing. This was coupled with the increase in receivables to contractors and suppliers in the Nesaj Town 1 project.

Accounts payable increased from SAR32.1 million as of 31 December 2019G to SAR121.8 million as of 31 December 2020G as a result of the increase in the balance due to Ministry of Municipal Rural Affairs and Housing (+SAR51.4 million) as a result of selling housing units, in addition to the increase in the payables related to the development of the Nesaj Town 2 project, particularly from Distinct Architecture Contracting Company (+SAR21.6 million), and from Al-Fanar Group (SAR13.6 million), which provided contracting services for the Nesaj Town 2 project.

Accounts payable increased from SAR121.8 million as of 31 December 2020G to SAR284.4 million as of 30 September 2021G as a result of an increase in land payables to Ministry of Municipal Rural Affairs and Housing (+SAR170.4 million) as a result of selling housing units in the Nesaj Town project 2 (SAR136.7 million) and Nesaj Town Riyadh (SAR33.7 million). This was offset by a decrease in the payables to suppliers, in particular the payables to Distinct Architecture Contracting Company (-SAR12.9 million) and Al-Kifah Contracting Company (-SAR6.3 million) as a result of the Group's settlement of its dues. This was partially offset by an increase in the accounts payable to other suppliers, in addition to the reclassification of some balances related to contracting services from the subcontractors related to the Nesaj Town 2 project from retention payable to accounts payable, as these balances were expected to be settled during the year.

Retention payable

Retention payable pertains to the amounts owed to contractors and subcontractors by the Group until the work is verified and payments are released.

Retention payable increased from SAR5.0 million as of 31 December 2018G to SAR8.1 million as of 31 December 2019G as a result of the increase in retention payables related to Distinct Architecture Contracting Company (SAR3.0 million) related to contracting services provided for the Nesaj Town 1 project which was pending approval by technical advisors before payment.

Retention payable increased from SAR8.1 million as of 31December 2019G to SAR13.7 million as of 31 December 2020G as a result of the increase in the amounts related to the contractors for Nesaj Town 2 project, in particular Distinct Architecture Contracting Company (+SAR5.6 million).

Retention payable decreased from SAR13.7 million as of 31 December 2020G to SAR3.1 million as of 30 September 2021G following the settlements made to Distinct Architecture Contracting Company (-SAR4.8 million) and Al Fanar (-SAR1.7 million), in addition to the reclassification of some balances related to subcontracting services related to Nesaj Town 2 from retention payable to accounts payable, as the balances are expected to be settled during the year.

Accounts payable to related parties

Accounts payable to related parties decreased from SAR185.5 million as of 31 December 2018G to SAR98.8 million as of 31 December 2019G as a result of repaying part of the loan to Al-Fozan Holding Company (-SAR84.7 million). The loan is related to the revolving credit facilities with a ceiling of SAR200 million in order to finance the operational needs of the Group at Saudi Interbank Offered Rate ("**SIBOR**") in addition to a margin determined on a quarterly basis.

Accounts payable to related parties increased from SAR98.8 million as of 31 December 2019G to SAR124.0 million as of 31 December 2020G as a result of the increase in withdrawals from Al-Fozan Holding Company loan (+SAR23.2 million).

Accounts payable to related parties increased from SAR124.0 million as of 31 December 2020G to SAR158.7 million as of 30 September 2021G mainly from the increase in Bloom Real Estate Fund balance (+SAR47.9 million). This was partially offset by a decrease following the repayment of the loan to Al-Fozan Holding Company (-SAR9.5 million). The Group signed a shareholder's agreement with Al-Fozan Holding Company on 21 October 2021G amounting to SAR171.3 million at a financing fee rate of 2.125%, whereby SAR100 million were transferred to Retal on 26 September 2021G to finance their investments in Bloom Al-Ahsa Real Estate Fund.

Table (6-28): Accounts payable as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Accounts payable - current portion	82,961	135,002	259,460	446,124
Accounts payable - non-current portion	121,927	3,967	-	-
Total	**204,887**	**138,968**	**259,460**	**446,124**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Accounts payable - current portion

The current portion of accounts payable increased from SAR82.9 million as of 31 December 2018G to SAR135.0 million as of 31 December 2019G as a result of the increase in the current portion of the loan from Al-Fozan Holding Company (+SAR33.3 million) in addition to the increase in the land payable balance to Ministry of Municipal Rural Affairs and Housing related to units sold in Nesaj Town 1 (+SAR10.4 million) and an increase in payables to Emaar Cement Products Factory (+SAR2.7 million).

The current portion of accounts payable increased to SAR259.5 million as of 31 December 2020G as a result of the increase in the balance of the land payable to MomRAH (+SAR51.4 million) related to the units sold in Nesaj Town 1. In addition to the increase in the payable balance due to (i) Distinct Architecture Contracting Company (+SAR24.7 million) and (ii) Al Fanar Company (+SAR13.2 million), both acting as turnkey contractors on Nesaj Town 2.

The current portion of accounts payable increased from SAR259.5 million as of 31 December 2020G to SAR446.1 million as of 30 September 2021G as a result of the increase in the balance of the land payable to MomRAH (+SAR170.4 million) related to the units sold in Nesaj Town 2 and Nesaj Town Riyadh. In addition to the increase in the payable balance to related parties (+SAR34.7 million). This was offset by the decrease in the current portion of retentions payable (-SAR10.7 million) as some of the balances were released.

Accounts payable - non-current

The non-current portion of accounts payable includes balances of long-term payables which management expects to be repaid after twelve months from the date of the consolidated statement of financial position. The non-current portion of accounts payable decreased from SAR121.9 million as of 31 December 2018G to SAR4.0 million as of 31 December 2019G as a result of the Group's settlement of the non-current portion of the loan from Al-Fozan Company amounting to SAR120.0 million which the Group used to cover the costs associated with the Nesaj Town 1 project during this period.

The Group did not record any payables in its non-current portion as of 31 December 2020G and 30 September 2021G.

6.7.23 Accrued expenses and other payables

Table (6-29): Accrued expenses and other payables as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Employee accruals	1,045	1,662	6,645	10,149
Project accruals	-	-	-	8,416
Advances from customers	7,175	2,578	13,478	403
Unearned revenue	1,194	95	2,608	-
Provision for contingencies	84	53	-	-
Advances from related party	23	-	-	-
Others	2,085	3,193	3,290	4,460
Total	**11,606**	**7,528**	**26,021**	**23,429**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Employees' accruals

Employees' accruals relate to benefits owed to employees such as vacation leave, ticket allowance, etc. Employee accruals increased from SAR1.0 million as of 31 December 2018G to SAR1.7 million as of 31 December 2019G as a result of the increase in accrued vacation expenses mainly due to the increase in the number of employees.

Employee accruals increased from SAR1.7 million as of 31 December 2019G to SAR6.6 million as of 31 December 2020G as a result of the increase in accumulated leaves and ticket allowances during 2020G, due to the decrease in leave claims by employees after the closure and restrictions imposed on traveling due to COVID-19.

Employees' accruals increased from SAR6.6 million as of 31 December 2020G to SAR10.1 million as of 30 September 2021G as a result of the additional accumulation of vacations and travel tickets due, as the restrictions imposed on travel and movement were still in force during the third quarter of 2021G.

Project accruals

Project accruals relate to the accrual booked based on the actual percentage of completion of Nesaj Town Riyadh (i.e.: the difference between the actual construction cost (contractors invoices) and the actual completion percentage at site). Such accrual was only recorded as of 30 September 2021G and amounted to SAR8.4 million.

Advances from customers

Advances from customers relate to advances paid by customers for the sale of real estate units and construction and development contracts and are amortized against future bills. Advances from customers decreased from SAR7.2 million as of 31 December 2018G to SAR2.6 million as of 31 December 2019G as a result of a decrease in the amount associated with the sale of real estate units (-SAR3.8 million) due to the completion of these units.

Advances from customers increased from SAR2.6 million as of 31 December 2019G to SAR13.5 million as of 31 December 2020G after selling off-plan villas in Nesaj Town Riyadh (SAR12.2 million). According to the Wafi payment schedule, the advances from customers related to the Nesaj Town Riyadh project represents approximately 20% of the total unit sale price paid by the bank on behalf of the client upon securing the mortgage and prior to the start of construction.

Advances from customers decreased from SAR13.5 million as of 31 December 2020G to SAR403 thousand as of 30 September 2021G mainly due to the progress made in the construction work of Nesaj Town Riyadh (-SAR12.2million).

Unearned revenue

Unearned revenue relates to cash received in advance for a service/product that has not yet been rendered or delivered. Unearned revenue is recognized upon collection and revenue is only recognized once the service has been provided. Unearned revenue decreased from SAR1.2 million as of 31 December 2018G to SAR95 thousand as of 31 December 2019G as a result of closing the Ewan Qayrawan Fund and recognizing the unrealized revenues related to the sale of units during 2019G.

Unearned revenue increased from SAR95 thousand as of 31 December 2019G to SAR2.6 million as of 31 December 2020G as a result of booking an outstanding balance related to maintenance services that are expected to be provided to Nesaj Town 1 (SAR1.5 million) however the amount has been reversed to the contractual obligations account as of 31 March 2021G.

The Group did not record any unearned revenue as of 30 September 2021G.

Provision for contingencies

Provision for contingencies decreased from SAR84 thousand as of 31 December 2018G to nil as of 31 December 2019G as a result of the decrease in the reserved provisions related to maintenance services for units designated for sale.

The Group did not book any provision for contingencies as of 31 December 2020G and 30 September 2021G as a result of selling most of the inventory of available-for-sale units.

Advances from related party

Advances from related party decreased from SAR23 thousand as of 31 December 2018G to nil as of 31 December 2019G as a result of payments received from the Nesaj Real Estate Complex Company in relation to subcontracting services, as the services were subsequently provided and thus the balance was nil as of 31 December 2019G, 31 December 2020G and 30 September 2021G.

Others

Other accrued expenses mainly relate to miscellaneous accrued expenses such as employee salaries and benefits (not included in employee entitlements), audit fees payable, VAT payable, and others. Other expenses increased from SAR2.1 million as of 31 December 2018G to SAR3.2 million as of 31 December 2019G and mainly related to accumulated employee costs (SAR2.3 million) such as accrued tickets allowance and accrued vacation salaries. Other accrued expenses increased to SAR3.2 million as of 31 December 2019G due to the increase in accrued employee expenses (SAR748 thousand) due to the increase in the number of employees, in addition to the increase in project accruals (SAR352 thousand) and recoverable deposits (SAR172 thousand).

Other accrued expenses increased from SAR3.2 million as of 31 December 2019G to SAR3.3 million as of 31 December 2020G as a result of a decrease in the accumulated employee costs (SAR1.4 million) partially offset by an increase in the accumulated interest expense (SAR612 thousand).

Other accrued expenses increased from SAR3.3 million as of 31 December 2020G to SAR4.5 million as of 30 September 2021G on the back of the increase in the bad debt provision (+SAR2.2 million) relating to VAT receivable balances for Wejha and for BCC, and the increase in the security deposits of Retal Square customers (+SAR1.0 million), partially offset by the drop in accrued interest (-SAR612 thousand) and accrued services.

6.7.24 Contract liabilities

Contract liabilities include long-term payments against construction and development contracts, short-term payments received for rendering services, and a transaction price allocated to unfulfilled performance obligations that is used against future invoices. Contract liabilities decreased from SAR4.8 million as of 31 December 2018G to SAR1.6 million as of 31 December 2019G due to the decrease in commitments related to the Nesaj Town 1 project, where the Group developed 374 residential villas, which the Group had received in advance during the year 2018G (-SAR4.0 million).

Contract liabilities increased from SAR1.6 million as of 31 December 2019G to SAR24.7 million as of 31 December 2020G as a result of the increase in liabilities related to the Nesaj Town 2 project (+SAR23.9 million).

Contract liabilities increased to SAR86.1 million as of 30 September 2021G following the increase in Nesaj Town Riyadh balance (+SAR51.8 million) as well as Nesaj Town Khobar (+SAR7.0 million), in addition to the increase in the contract liabilities related to Nice showroom rent (+SAR963 thousand) as of 30 September 2021G whereby management will amortize the balance on monthly basis and recognize the revenue generated from the rent.

6.7.25 Refundable Incentives

Refundable incentives relate to the interest-free financing facilities received from Ministry of Municipal Rural Affairs and Housing during the 2018G (two loans of SAR75.0 million) for the development of Nesaj Town 1. The Group had previously signed an agreement to develop, market and build Nesaj Town 1 project with Ministry of Municipal Rural Affairs and Housing to build 674 housing units on land owned by Ministry of Municipal Rural Affairs and Housing and sell them to citizens for a predetermined price under the Wafi program. Accordingly, the refundable incentives of Ministry of Municipal Rural Affairs and Housing represents the amount received from the Ministry of Municipal Rural Affairs and Housing to support the Group in financing the project. The percentage of loans amounted to 40% of the total selling price of the units (the selling price of the units includes the price of the building and the land on which the project is built) in the project. As per the terms of the agreement, the incentive amount is deposited into an escrow account where the withdrawal is limited to project-related expenses. Upon completion of the construction work, Ministry of Municipal Rural Affairs and Housing will withdraw the incentives balance from the sale proceeds deposited in the escrow account. Furthermore, Ministry of Municipal Rural Affairs and Housing is obligated to purchase the remaining unsold housing units once construction is completed. The settlement of this obligation is conducted by offsetting the redeemable incentive balance. The total incentives recovered and settled amounted to SAR150.0 million during 2018G and 2019G since the project was in the development stages, when the Group completed the development work during the year 2020G, Ministry of Municipal Rural Affairs and Housing withdrew the incentives balance from the proceeds of the sale deposited in the escrow account, and thus the refunded incentives decreased to SAR115.0 million as of 31 December 2020G and further to nil as of 30 September 2021G as a result of the Group's payment of these incentives against the sale of all residential units in the Nesaj Town 1 project.

6.7.26 Zakat payable

Table (6-30): Zakat payable as of 31 December 2018G, 2019G, 2020G and 30 September 30 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
January 1	9,199	12,120	5,895	5,975
Charge during the year	3,311	4,630	4,711	5,975
Transferred to a related party	(391)	(10,855)	(4,630)	-
Payment (year 2021G)	-	-	-	(3,991)
Total	**12,120**	**5,895**	**5,975**	**7,921**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Zakat payable

Zakat base:

The group is subject to calculated at 2.5% of the approximate zakat base or adjusted net profit, whichever is higher. The most important components of the zakat base according to the zakat and income regulations mainly consist of shareholders' equity and provisions at the beginning of the year and the adjusted net profit, minus the net book value of non-current assets. Starting 2020G, zakat was calculated according to the zakat base of the Group, and the zakat declaration is deposited with Zakat, Tax and Customs Authority (ZATCA) at the level of the parent company, Retal Urban Development Company. It is worth noting that, from 2016G to 2019G, the zakat declaration was deposited with the Zakat, Tax and Customs Authority (ZATCA) at the level of Al-Fozan Holding Company (shareholder) within the consolidated declaration.

Zakat payable amounted to SAR12.1 million as of 31 December 2018G and SAR5.9 million as of 31 December 2019G and is related to the zakat provision estimated by Al-Fozan Holding Company, given that the Group had not received the zakat assessment from the Zakat, Tax and Customs Authority (ZATCA) since 2016G.

Zakat payable remained stable at SAR5.9 million as of 31 December 2019G and 31 December 2020G and amounted to SAR7.9 million as of 30 September 2021G.

6.7.27 Non-current liabilities

6.7.27.1 Lease liabilities

Table (6-31): Lease liabilities as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Lease liabilities				
1 January	-	25,091	17,780	11,767
Additions	-	-	3,290	-
Disposal	-	-	(378)	-
Payments during the year	-	(7,311)	(8,925)	(4,866)
End of period		**17,780**	**11,767**	**6,901**
Lease liabilities – current	-	7,509	8,693	6,726
Lease liabilities – non-current	-	10,271	3,083	175
Total lease liabilities	**-**	**17,780**	**11,767**	**6,901**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

In applying IFRS 16, the Group recognized right-of-use assets and lease liabilities for those contracts that had previously been classified as operating leases, except for short-term leases and leases with low value assets. Right-of-use assets are recognized on the basis of the amount equal to the modified lease liability against any prepaid or accrued lease payments that were previously recognized. The lease liability is recognized based on the present value of the remaining lease payments discounted using the marginal borrowing rate at the date of initial application.

Lease liabilities decreased from SAR17.8 million as of 31 December 2019G to SAR11.8 million as of 31 December 2020G. The Group recorded interest on current and non-current lease liabilities in 2020G amounting to SAR744 thousand and this was offset by payments with respect to these obligations amounting to SAR8.9 million, additions of SAR3.3 million and disposals amounting to SAR387 thousand, resulting in a decrease in lease liability amounting to SAR11.8 million as of 31 December 2020G of which SAR8.7 million pertaining to current lease liabilities and SAR3.1 million pertaining to non-current lease liabilities.

The net book value of lease liabilities decreased from SAR11.8 million as of 31 December 2020G to SAR6.9 million as of 30 September 2021G following the payments made during the period (SAR4.9 million). In addition, the Group did not enter any new lease contract over the same period.

6.7.28 Loans

Table (6-32): Loans as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Short term loan (a)	-	-	50,000	50,000
Term loan (b)	-	-	97,000	78,929
Term loan (c)	-	-	51,400	101,972
Term loan (d)	-	-	-	94,999
Term loan (e)	-	-	-	108,578
Total	**-**	**-**	**198,400**	**434,479**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Credit rating

Table (6-33): Classification of loans as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Short term loan (a)	-	-	50,000	50,000
Term loan (b)	-	-	97,000	78,929
Term loan (c)	-	-	51,400	101,972
Term loan (d)	-	-	-	94,999
Term loan (e)	-	-	-	108,578
Less: Short term loan (a)	-	-	(50,000)	(50,000)
Less: Short term loans – Current portion	-	-	(83,733)	(281,548)
Term loan – non-current portion	**-**	**-**	**64,667**	**102,930**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Term loan repayment schedule

Table (6-34): Term loan repayment schedule as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
During the year	-	-	133,733	331,548
More than a year	-	-	64,667	102,930
Total	**-**	**-**	**198,400**	**434,479**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The total loans granted to the Group amounted to SAR198.4 million as of 31 December 2020G and pertain to:

- A short-term loan that the Group obtained from Riyad Bank on 7 September 2020G, amounting to SAR50.0 million in order to finance working capital needs with interest rate set at the Saudi Interbank Offered Rate ("**SIBOR**") plus a fixed margin of 1.5%. The loan is expected to be repaid in one instalment on 6 September 2021G; Accordingly, the loan was calculated as part of the current portion of the term loan. The loan is secured against shareholders' guarantee.
- A term loan of SAR97.0 million from Riyad Bank in order to finance the Nesaj Town Khobar project, where the Group used a loan from Al-Fozan Holding Company to fill the financing gaps and purchased the mortgaged lands related to this project with a value of SAR57.3 million in order to obtain this loan and use it to pay its dues to Al-Fozan Holding Company. The financial charges related to this loan are the SIBOR rate plus a fixed margin of 1.65%. The loans are repayable in six equal quarterly instalments commencing on 31 August 2021G.
- A term loan from Al Rajhi Bank amounting to SAR141.0 million, of which SAR51.4 million were utilized until 31 December 2020G to commence Nesaj Town Riyadh project, and the financial charges amounted were set at SIBOR in addition to a fixed margin of 1.50%. The loan will be repaid from the proceeds of the Nesaj Town Riyadh project over a maximum period of three years. The loan is secured, against the land deeds as a collateral, of SAR22.5 million and SAR32.5 million.

Loans increased to SAR434.5 million as of 30 September 2021G following the term loan obtained by the Group amounting to SAR142.0 million from AlBilad bank, of which SAR95 million has been utilized up to 30 September 2021G, bearing financial charges at Saudi Arabia Interbank Offered Rate ("**SIBOR**") plus a fixed margin. The loans are to be paid out from Al-Nakheel and Retal Rise projects collections over three years max. The loan is guaranteed by one of the shareholders' guarantee. This was coupled with a loan obtained from the Arab National Bank amounting to SAR121.4 million of which SAR111.24 million has been utilized up to 30 September 2021G, bearing financial charges at SIBOR plus a fixed margin. The loans are to be paid out from Nesaj Town 2 collections over two years maximum. The loan is guaranteed by a pledge of land deeds amounted to SAR18.3 million and SAR51.3 million against properties for development and sale and investment properties respectively.

6.7.29 End of service benefit

Table (6-35): Movement of end-of-service benefits as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
1 January	5,459	6,660	7,794	9,481
Cost charged to profit or loss	1,229	1,655	1,905	2,214
Actuarial remeasurement charged to other comprehensive income	1,020	570	1,034	-
Payments	(1,392)	(1,091)	(1,304)	(1,247)
Net transfer from a related party	343	-	52,353	-
End of period	**6,660**	**7,794**	**9,481**	**10,448**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Table (6-36): The expense charged to profit or loss for the years ended 2018G, 2019G and 2020G and the nine-month period ended 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Current service cost	183	1,364	1,671	
Interest cost	21	291	234	
Cost charged to profit or loss	204	1,655	1,905	

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Companies in the Kingdom of Saudi Arabia are required to register an end of service provision in accordance with the Kingdom's labor law. This provision is calculated based on actuarial assumptions as required by International Financial Reporting Standards.

The benefit liabilities included in the consolidated statement of financial position related to a defined benefit end-of-service plan is the present value of the defined benefit obligation at the reporting date. The defined benefit liabilities are calculated periodically by qualified actuaries using the projected unit credit method.

The present value of the defined benefit liabilities is determined by discounting the estimated future cash outflows using the yield on high-quality corporate bonds denominated in the currency in which the benefits will be paid and have an approximate duration of the liability. The discount rate was based on US Treasury bonds adjusted for the difference between USD and SAR.

The amount of actuarial gains and losses on the defined benefit liabilities, if any, are recognized and presented in a consolidated line item under other comprehensive income in the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity. End of service benefits provision increased from SAR6.7 million as of 31 December 2018G to SAR7.8 million as of 31 December 2019G, SAR9.5 million as of 31 December 2020G and SAR10.5 million as of 30 September 2021G due to the increase in the number of employees during the period, partially offset by the decrease in the employee benefit obligation as a result of payments to employees.

6.7.30 Equity

Table (6-37): Equity as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Share capital	10,000	250,000	375,000	400,000
Statutory reserve	3,000	8,969	18,833	18,833
Contribution from a shareholder	82,134	-	-	-
Actuarial reserve	(924)	(1,494)	(2,509)	(2,509)
Fair value reserve of equity instruments at fair value through other comprehensive income	(2,774)	-	-	-
Retained earnings	38,775	88,692	127,462	147,363
Non-controlling interests	-	-	-	162
Total Equity	**130,210**	**346,167**	**518,786**	**563,849**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Total equity increased from SAR130.2 million as of 31 December 2018G to SAR346.2 million as of 31 December 2019G primarily due to the increase in the share capital of the Group by SAR240.0 million, coupled with profits recorded by the Group in 2019G.

Total equity increased to SAR518.8 million as of 31 December 2020G primarily due to additions of SAR125 million to the share capital, coupled with profits recorded by the Group during 2020G.

Total equity increased to SAR563.8 million as of 30 September 2021G as a result of further additions to share capital of SAR25.0 million coupled with profits recorded by the Group during the period.

Share Capital

During 2019G the shareholders decided to increase the Group's share capital by SAR240.0 million by transferring contributions from the shareholders of SAR82.1 million to the share capital and transferring an additional SAR157.9 million to share capital from Al-Fozan Holding Company. The legal procedures related to the share capital increase were completed during the year 2019G.

The Group's share capital amounted to SAR250.0 million as of 31 December 2019G comprising of 25 million shares of SAR10 each. The share capital increased from SAR10.0 million as of 31 December 2018G (100,000 shares outstanding at SAR100 per share) to SAR250.0 million as of 31 December 2019G (250,000 shares outstanding at SAR1,000 per share).

The Group's share capital increased from SAR250.0 million as of 31 December 2019G to SAR375.0 million as of 31 December 2020G as a result of the shareholders' approval to increase the share capital by SAR125.0 million by transferring a contribution from the shareholders (+SAR82.1 million) and additional paid-up capital amounting to SAR157.9 million as of 31 December 2019G. As such, the Group's share capital amounted to SAR250.0 million as of 31 December 2019G comprising of 250,000 shares of SAR1,000 per share.

Share capital increased by SAR125.0 million as of 31 December 2020G through the contribution of shareholders resulting in an increase from SAR250.0 million as of 31 December 2019G to SAR375.0 million as of 31 December 2020G comprising of 37.5 million shares with a value of SAR10 per share.

The shareholders decided to increase the Group's share capital to SAR400.0 million as of 30 September 2021G by transferring SAR20.0 million from the retained earnings of the Group coupled with cash transfers of SAR5.0 million from four new shareholders.

Statutory reserve

The statutory reserve increased from SAR3.0 million as of 31 December 2018G to SAR8.9 million as of 31 December 2019G, SAR18.8 million as of 31 December 2020G and remained stable at SAR18.8 million as of 30 September 2021G.

In accordance with Regulations for Companies and the Company's Articles of Association, the Group established a statutory reserve by appropriation of 10% of net income until the reserve reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

Contribution from a shareholder

Contributions from a shareholder represent investments and real estate provided to the Group to support and increase the capital. These contributions are not subject to interest and there is no specific schedule for payment and are not subject to any financial benefits. There is no current financial obligation on the Group to pay this balance to the shareholders. During 2019G, the Group's shareholders decided to increase the share capital by an amount of SAR240.0 million by transferring the entire balance of contributions from the shareholders amounting to SAR82.0 million and transferring an additional SAR158.0 million through Al-Fozan Holding Company ("**shareholder**"). During the year 2020G, a contribution was made from the shareholders of SAR125.0 million of which SAR107.4 million comprised of 15,800 shares or 39.5% of the capital of the Saudi Tharwa Company (an associate company) and SAR17.6 million pertaining to plots of land in Durrat Al-Nakheel received from the shareholder for a capital increase. On 24 December 2020G to increase the Group's share capital with the full contribution balance of SAR125 million through the issuance of new shares for subscription by the shareholders registered in the Group's records. Accordingly, the entire balance was transferred to the Group's share capital account. The statutory procedures for issuing the articles of association were completed in the subsequent period.

Contribution from a shareholder decreased from SAR82.1 million as of 31 December 2018G to nil as of 31 December 2019G as a result of transferring this balance to the Group's share capital in line with the decision to increase the capital by SAR240.0 million.

Actuarial reserve

Actuarial reserve relates to balances on defined benefit obligations based on an appraisal discount rate of 1.7% and salary increase of 1.7%. Actuarial reserve increased from SAR924 thousand as of 31 December 2018G to SAR1.5 million as of 31 December 2019G and further to SAR2.5 million as of 31 December 2020G as a result of the salary increase coupled with the actuarial reserve being calculated based on the average end-of-service period, which increased throughout the years and thus affected the increase in the actuarial reserve. The actuarial reserve remained stable at SAR2.5 million as of 30 September 2021G.

Fair value reserve of equity instruments at fair value through other comprehensive income

Gains and losses arising from investments in equity instruments carried at fair value through other comprehensive income are not reclassified to profit or loss. Dividends are recognized as other income in profit or loss when the right to receive is established, unless these collections represent a recovery of part of the cost of the financial asset, in which case, such distributions are included in other comprehensive income. There is no impairment assessment for equity instruments at fair value through other comprehensive income. The Group decided to classify its investments in equity instruments in this category. Fair value of equity instruments through other comprehensive income amounted to SAR2.8 million as of 31 December 2018G and pertains to the Group's investment in Derayah Financial Company and decreased to nil as of 31 December 2019G as a result of the Group selling its investment in Derayah Financial Company.

Fair value reserve of equity instruments at fair value through other comprehensive income remained stable at nil as of 31 December 2019G, 2020G and 30 September 2021G as the Group decided to not purchase any equity investments.

Additionally, as of 31 December 2019G, 2020G and 30 September 2021G these equity instruments are classified within equity instruments that are valued at fair value. All profits resulting from the Group's investments in shares have been recognized in the income statement under other income.

Retained earnings

Retained earnings consist of accumulated net income after deducting dividends and transfers to reserves. Retained earnings increased from SAR38.8 million as of 31 December 2018G to SAR88.7 million as of 31 December 2019G as a result of the profits generated during this period.

Retained earnings increased from SAR88.7 million as of 31 December 2019G to SAR127.5 million as of 31 December 2020G.

Retained earnings increased from SAR127.5 million as of 31 December 2020G to SAR147.4 million as of 30 September 2021G as a result the increase in profits generated during the period.

6.7.31 Share Capital

Table (6-38): Share Capital as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

Name	Share Capital				Actual ownership %			
SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Al-Fozan Holding Company	9,900	247,500	356,250	375,000	99.0%	99.0%	95.0%	93.8%
Al-Fozan Investment Company	100	2,500	-	-	1.0%	1.0%	-	-
Mr. Abdullah Faisal Abdulaziz Al-Braikan	-	-	18,750	20,000	-	-	5.0%	5.0%

Name	Share Capital				Actual ownership %			
SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Al Sahm Holding Company	-	-	-	1,250	-	-	-	0.3%
Othman Holding Company	-	-	-	1,250	-	-	-	0.3%
Jras Holding Company	-	-	-	1,250	-	-	-	0.3%
Maali Gulf Holding Company	-	-	-	1,250	-	-	-	0.3%
Total	**10,000**	**250,000**	**375,000**	**400,000**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The balance of Al-Fozan Holding Company increased from SAR9.9 million as of 31 December 2018G to SAR247.5 million as of 31 December 2019G as a result of the share capital increase from SAR10.0 million to SAR250.0 million by transferring all the contributions from shareholders amounting to SAR82.1 million to share capital and transferring SAR157.9 million as additional capital from Al-Fozan Holding Company ('Shareholder'). The legal formalities related to the increase in share capital have been completed during the year. The new share capital of the Group became SAR250 million divided into 250,000 shares of SAR1,000 per share. In addition, the balance of Al-Fozan Investment Company increased from SAR100 million as of 31 December 2018G to SAR2.5 million as of 31 December 2019G for the same reason.

During 2020G, the shareholders of the Group resolved to increase the share capital of the Group from SAR250.0 million to SAR375.0 million divided into 37,500,000 shares of SAR10 per share. The legal formalities related to the increase in share capital have been completed during the year. Accordingly, the balance of Al-Fozan Holding Company increased to SAR356.3 million during the period. In addition, Mr. Abdullah Faisal Abdulaziz Al-Braikan's balance increased from nil as of 31 December 2019G to SAR18.8 million as of 31 December 2020G as a result of his acquisition of 5% of the Group's shares while the balance of Al-Fozan investment company decreased to nil as a result of the sale of the Group's shares.

During the nine-month period ended 30 September 2021, the shareholders of the Group resolved to increase the share capital of the Group from SAR375.0 million to SAR400.0 through transfer of SAR20.0 million from retained earnings and cash contribution from new shareholders of SAR5.0 million. The respective legal formalities were completed during the nine-month period ended 30 September 2021G. Accordingly, the balance of Al-Fozan Holding Company increased to SAR375.0 million and the balance of Mr. Abdullah Faisal Abdulaziz Al-Braikan increased to SAR20.0 million. In addition, the balance of Sahem Holding Company, Othman Holding Company, Jras Holding Company, and Maali Al Khaleej Holding Company increased from nil as of 31 December 2020G to SAR1.3 million as of 30 September 2021G following their acquisition of 0.3% of the shares the Group each.

6.7.32 Related parties' transactions and balances

During its normal activities, the Group deals with related parties and the terms of these transactions have been approved by management. Some balances of related parties bear interest at the rate prevailing in Al-Fozan Group, which was approved by its management.

During the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2021G, the Group carried out transactions with related parties as follows:

Table (6-39): Related parties during the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2021

Name	Actual ownership %
Al Fozan Holding Company	Shareholder
Mr. Abdullah Faisal Abdul Aziz Al Braikan	Shareholder
Abdul Latif and Mohammed Al-Fozan Company	Ultimate parent company
Ajwad Holding company	Affiliate
Al Fozan Askan Company	Affiliate
Al-Maali Holding Company	Affiliate
Amjal Property Development Company	Affiliate
ARAC Engineering Consultants	Affiliate
Arnon Plastic Company	Affiliate
Bawan Metal Industries Company	Affiliate
Bina for Ready-mix Products Company	Affiliate
Ewan Al-Maali Real Estate Fund	(Previously) an associate company
Ewan Al Qayrawan Real Estate Fund	(Previously) an associate company
Kayan International Real Estate Development Company	Affiliate
Al Fozan Autism Center	Affiliate
Tadbeir Al Sharq Real Estate Company	Affiliate
United Hardware Company	Affiliate
Abdullatif Ali Al Fozan	Related party
Midad Chemical Factory	Affiliate
Nesaj Residential Compound Real Estate Company	Affiliate / (previously) associate company
United Homeware Company - (NICE)	Affiliate
Madar Building Materials Company	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate
United Electronics ("**Extra**")	Affiliate
Tharwa Saudi Company	Associate company

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Table (6-40): Significant transactions and the related approximate amounts for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Revenue				
Al-Maali Holding Company	-	6,951	4,500	2,214
United Homeware Company (NICE)	2,007	3,081	3,208	6,636
Nesaj Real Estate Compound Company	48,499	2,875	158	-
Ajwad Holding Company	1,503	2,364	2,065	496
United Hardware Company	-	-	138	-
Al Fozan Holding Company	6,356	60	2,892	4,581
Abdullatif Ali Al-Fozan	-	-	1,365	-
Alpha real estate development fund 1	-	-	-	2,570
Bloom investment	-	-	-	805
Purchases and service				
Madar Building Materials Company	7,436	8,082	36,560	-
Madar Electrical Materials Company	2,069	5,576	3,027	6,469
Madar Hardware Company	309	542	1,689	1,325
Bina for Ready-mix Products Company	6,287	5,663	3,786	3,521
Bawan Metal Industries Company	4,342	4,000	5,311	2,211
ARAC Engineering Consultants	-	-	3,992	-
Tharwa Saudi Company	-	-	11,354	-
Purchase of investment properties from related parties				
Al-Fozan Holding Company	-	-	-	80,000
Maali Holding Company	-	-	-	34,225
Advance payment received from a related party				
Bloom investment	-	-	-	48,723
Investment properties transferred from related parties				
Al Fozan Holding Company	-	79,296	-	-
Investment in associate transferred through a contribution				
Al Fozan Holding Company	-	-	107,440	-

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Investment in an associate transferred (to) / from related parties				
Al Fozan Holding Company	-	72,357	(72,357)	-
Investment properties transferred through a contribution				
Al Fozan Holding Company	-	-	17,560	-
Capital transferred from a shareholder				
Al Fozan Holding Company	-	157,866	-	-
Finance charges				
Al Fozan Holding Company	8,397	4,167	954	135
Zakat provision transferred to a related party				
Al Fozan Holding Company	391	10,855	4,630	-
End of service indemnity transferred from a related party				
Al Fozan Holding Company	344	-	52	-
Disposal of subsidiary to a related party				
Alpha real estate development fund	-	-	-	156,056
Funds transferred in/(out)				
Al Fozan Holding Company	-	-	-	94,330
ARAC Office	-	-	-	3,650
Expenses charged on the Group from related parties				
Al Fozan Holding Company	-	-	-	1,818
Mimar & ARAC Company	-	-	-	798
ARAC Office	-	-	-	2,104
Nesaj residential compound co.	-	-	-	297
Expenses paid on behalf of the Group from related parties				
Al Fozan Holding Company	-	-	-	(9,237)
ARAC Office	-	-	-	(2,459)

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Table (6-41): Due from related parties as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Alpha Saudi Equity Fund	-	-	-	2,570
Al Maali Holding Company	1,634	2,409	4,752	2,914
Wejha United Company Limited	-	-	-	8
Nesaj Residential Compound Real Estate Company	8,871	3,695	148	-
ARAC & Partner Company (MIMAR)	-	-	-	-
Ewan Al Maali Real Estate Fund	1,082	2,435	-	-
ARAC Engineering Consultants	1,084	2,105	-	-
United Hardware Company	-	288	-	-
United Homeware Company (NICE)	381	-	590	-
Abdullatif Ali Abdullatif Al Fozan	11,985	-	-	-
Ewan Al Qayrawan Real Estate Fund	1,576	-	-	-
Midad Chemical Factory	44	-	-	-
United Electronics ("**Extra**")	-	-	215	-
Ajwad Holding Company	-	-	377	-
Al Fozan Holding Company	-	-	-	-
Itlalah Al Sharq Co	-	-	-	-
United Wasem Co.	-	-	-	-
Tadbeir Al Sharq for Real Estate	-	-	669	-
Al Fozan Autism Center	-	-	26	-
Others	-	-	1,369	131
Total	**26,656**	**10,932**	**8,146**	**5,622**
Less: the non-current portion	(11,985)	-	-	-
Total	**14,671**	**10,932**	**8,146**	**5,622**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Table (6-42): Due to related parties as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Al Fozan Holding Company	173,466	88,725	111,916	102,467
Bloom Invest	-	-	-	47,917
Mimar & ARAC company	-	-	-	3,662
United Homeware Company (NICE)	-	2,750	-	-
ARAC Engineering Consultants	-	-	3,992	-
Madar Building Materials Company	4,616	1,716	654	1,781
Bina for Ready-mix Products Company	3,971	1,632	2,415	1,012
Madar Electrical Materials Company	725	1,586	2,110	353
Bawan Metal Industries Company	1,797	1,227	1,616	1,031
Ajwad Holding Company	708	576	218	-
Madar Hardware Company	89	407	901	289
Arnon Plastic Industries Company	138	138	138	138
Total	185,510	97,757	123,960	158,650
Less: the non-current portion	(120,000)	-	-	-
Total	**65,510**	**98,757**	**123,920**	**158,650**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

6.7.33 Contingencies and commitments

Table (6-43): Capital commitments as of 31 December 31 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Capital commitments for construction and development contracts	470,924	106,024	924,610	644,710

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The Group has contractual commitments of SAR470.9 million as of 31 December 2018G, SAR106.0 million as of 31 December 2019G, SAR924.6 million as of 31 December 2020G and SAR644,7 million as of 30 September 2021G against housing projects for local customers. The collection from these housing projects (which have been financed through facilities agreement signed between the bank, the Group, and local customers) will be used to finance these commitments payment of the housing projects.

Guarantees

Table (6-44): Guarantees as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Commitments in connection with bank guarantees	75,000	75,000	110,000	52,600

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The Group is contingently liable for bank guarantees issued in the normal course of business amounting to SAR75.0 million as of 31 December 2018G and 2019G, SAR110.0 million as of 31 December 2020G and SAR52.6 million as of 30 September 2021G.

6.7.34 Fixed assets to be purchased

Table (6-45): Fixed assets to be purchased

SAR in 000s	Additions to		2021G (expected)	2022G (expected)	2023G (expected)
Retal Company	Property and equipment		1,500	23,000	2,000
	Investment properties	Lands	276,231	20,000	15,000
		Buildings	-	-	-
Building Construction Company (limited)	Property and equipment		2,300	2,700	3,000
	Investment properties		-	-	-
Tadbeir Limited Company	Property and equipment		250	400	500
	Investment properties		-	-	-

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G.

Additions to property and equipment

The Group expects that the value of the additions to property and equipment will amount to SAR1.5 million as of 31 December 2021G, while the value of the additions purchased in the nine-month period ended 30 September 2021G, amounted to SAR867 thousand. The Group expects to purchase property and equipment amounting to SAR23 million as of 31 December 2022G following the development and establishment of the new headquarters in Riyadh, in addition to developing two floors in Retal Business Center and purchasing licenses and equipment to implement the ERP system.

Regarding BCC and Tadbeir, management expects both companies to maintain the pace of historical additions to property and equipment that support both companies' business and operational activities.

Additions to investment properties

The Group expects that the value of the investment properties' additions to be purchased as of 31 December 2021G amounts to SAR267.6 million, given that the Group is planning to purchase a land amounting to SAR153 million in the second half of 2021G, in addition to additions to investment properties of SAR114.4 million in the nine-month period ended 30 September 2021G.

6.7.35 Statement of Cash flows

Table (6-46): The Group's consolidated statement of cash flows for the financial years ended 31 December 2018G, 2019G, 2020G and the nine-month period ended 30 September 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Operating activities				
Profit before zakat	6,050	64,323	103,344	125,750
Adjustments for non-cash items:				
Depreciation and amortization	1,730	9,428	12,432	4,482
Depreciation on right of use assets	-	-	-	6,075
(Gain) / loss on sale of property and equipment	5	27	(172)	-
Profit from the sale of a subsidiary, net of zakat	-	-	-	(14,961)
Gain on sale of investments at fair value through profit or loss	-	(22,462)	(374)	(439)
Employees' end of service benefits	1,229	1,655	1,905	2,214
Share in results of associates	990	3,064	(12,827)	(3,815)
Dividends income from investments at fair value through profit or loss	(4,666)	(1,122)	-	-
Finance charges	-	-	-	1,873
Changes in Working Capital:				
Development properties	(7,343)	56,547	(103,579)	(29,663)
Inventories	(315)	(912)	(17,887)	5,632
Contract assets	(73,963)	(75,643)	(53,292)	186,349
Accounts receivable	41,596	(60,703)	10,591	(105,196)
Prepayments and other receivables	(17,375)	(6,176)	(64,806)	(63,900)
Accounts payable	29,309	(65,919)	97,301	186,664
Accrued expenses and other payables	(3,775)	(4,078)	18,493	(2,592)
Contract liabilities	(9,698)	(3,224)	23,084	61,401
Employee termination benefits paid	(1,392)	(1,091)	(1,304)	(1,247)
Zakat paid	(391)	-	-	(3,991)
Net cash from (used in) operating activities	(38,007)	(106,284)	12,907	354,635
Investing activities				
Additions for investment properties	-	(55,251)	(183,402)	(114,519)
Proceeds from the sale of investment properties	-	691	-	-
Purchase of property and equipment	(1,022)	(2,711)	(27,978)	(6,690)
Proceeds from the sale of property and equipment	139	173	360	-
Additions to intangible assets	(66)	(60)	-	-
Purchase of investments at fair value through profit or loss	-	-	-	(2,899)

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 September 2021G Reviewed
Proceeds from sale of investments at fair value through profit or loss	-	-	-	1,369
Dividends received from investment at fair value through statement of profit or loss	3,835	1,122	-	-
Dividends received from associates	-	-	1,580	1,580
Proceeds from sale of equity instruments at fair value through net profit or loss net	-	22,462	374	-
Disposal / redemption of an investment in an associate	14,581	40,317	37,920	-
Investment in an associate	-	-	-	(154,000)
Proceeds from the sale of equity instruments at fair value through other comprehensive income	31,660	36,076	-	-
Financing cost paid	-	-	-	-
Net cash from (used in) investing activities	**49,127**	**42,820**	**(171,146)**	**(122,909)**
Financing activities				
Repayment from refundable incentives	150,019	-	(35,000)	(115,019)
Proceeds of long-term loan	(33,000)	-	148,400	-
Proceeds from short-term loan	-	-	50,000	-
Proceeds from borrowings, net of repayment	-	-	-	236,079
Lease payments	-	(7,311)	(8,925)	(5,090)
Contributed by NCI	-	-	-	250
Change in due to related parties	(45,508)	(4,643)	109,107	-
Dividends paid	-	-	(50,000)	(80,000)
Proceeds from contribution from shareholders	-	-	-	5,000
Finance cost paid	-	-	-	(1,649)
Net cash from (used in) financing activities	**71,511**	**(11,954)**	**213,582**	**39,571**
Net change in cash and cash equivalents	82,630	(75,418)	55,344	271,296
Cash and cash equivalents at the beginning of the period	2,425	85,055	4,112	9,975
Less: the change in the restricted bank balance	-	(5,525)	(49,481)	(262,500)
Cash and cash equivalents at the end of the period	**85,055**	**4,112**	**9,975**	**18,772**

Source: Audited financial statements for the year ended 31 December 2018G, 2019G, 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Net cash from (used in) operating activities

The net cash used in operating activities decreased from -SAR38.0 million as of 31 December 2018G to -SAR106.3 million as of 31 December 2019G despite the increase in profit before zakat from SAR6.0 million in 2018G to SAR64.3 million in 2019G, as a result of non-cash adjustments related to the profit on the sale of investments at fair value through profit or loss (SAR22.5 million) in 2019G related to the profits realized from the Group's investment in Aramco shares. Additionally, accounts receivable increased by SAR60.7 million in 2019G due to the accumulation of receivables related to the Nesaj Town 1 project.

Net cash used in operating activities increased from -SAR106.3 million as of 31 December 2019G to cash generated from operating activities of SAR12.9 million as of 31 December 2020G as a result of the increase in profit before zakat from SAR64.3 million in 2019G to SAR103.3 million in 202G, in addition to the increase in non-cash adjustments related to the profit on sale of investments at fair value through profit or loss from SAR22.5 million to SAR374 thousand, during the same period.

Net cash from operating activities increased from SAR12.9 million as of 31 December 2020G to SAR354.6 million as of 30 September 2021G as a result of (1) an increase in contract assets from (-SAR53.3 million) to SAR186.3 million during this period, (2) an increase in the accounts payable from SAR97.3 million to SAR186.7 million (3) the increase in contract liabilities from SAR23.1 million to SAR61.4 million during the period. This was partially offset by the decrease in accounts receivable from SAR10.6 million to (-SAR105.2 million) during the same period.

Net cash (used in) from investing activities

Net cash from investing activities decreased from SAR49.1 million as of 31 December 2018G to SAR42.8 million as of 31 December 2019G as a result of the Group's additions to investment properties during this period (-SAR55.3 million) partially offset by the disposal of an investment in an associate company (+SAR40.3 million).

Net cash decreased from cash from investment activities amounting to SAR42.8 million as of 31 December 2019G to cash used in investment activities amounting to -SAR171.1 million as of 31 December 2020G due to additions to investment properties amounting to SAR183.4 million in 2020G and purchase of property and equipment for the Group of SAR28.0 million. This was partially offset by the disposal of an investment in an associate company (+SAR37.9 million).

Net cash used in investing activities increased from (-SAR171.1 million) as of 31 December 2020G to (-SAR122.9 million) as of 30 September 2021G due to increase in proceeds from disposal of a subsidiary, Wejha Land, from nil to SAR152.3 million as well as reduction in additions to investment properties from (-SAR183.4 million) to (-SAR114.5 million). This was offset by additions to investments in associate companies, Al- Ahsa Real Estate Fund and Alpha Real Estate Fund, from nil to (-SAR154.0 million), over the same period.

Net cash (used in) from financing activities

Net cash decreased from cash generated from financing activities amounting to SAR71.5 million as of 31 December 2018G to cash used in financing activities amounting to -SAR12.0 million as of 31 December 2019G due to the decrease in repayment from refundable incentives from SAR150.0 million to nil during the same period.

The net cash increased from cash used in financing activities amounting to -SAR12.0 million as of 31 December 2019G to cash generated from financing activities amounting to SAR213.6 million as of 31 December 2020G as a result of the Group obtaining three loans from commercial banks during this period. This was coupled with the increase in due to related parties from (-SAR4.6 million) to SAR109.1 million during the same period.

Net cash from financing activities decreased from SAR213.6 million as of 31 December 2020G to SAR39.6 million as of 30 September 2021G as a result of a decrease in the balance due to related parties from SAR109.1 million to nil after reimbursing the incentives (-SAR80.0 million). This was partially offset by the two additional loans obtained by the Group, which resulted in an increase in net borrowings of SAR236.1 million during the period.

6.8 Management discussion and analysis (MD&A) for Building and Construction Company ("BCC")

The following Management's Discussion and Analysis ("**MD&A**") of the financial results relates to Building and Construction Company ("**BCC**"), a material subsidiary, for the years ended 31 December 2018G, 2019G and 2020G, in addition to the interim period for the nine-months ended 30 September 2020G and 2021G. Our analysis was based on the audited financial statements for the years ended 31 December 2018G ("**FY18G**"), 2019G ("**FY19G**") and 2020G ("**FY20G**") and the reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G. The financial statements have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and statements approved by the Saudi Organization for Auditors and Accountants (SOCPA).

6.8.1 Statement of profit and loss and other comprehensive income

Table (6-47): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G -30 September 2021G
Revenue	104,237	158,977	288,216	124,093	355,735	53%	81%	66%	187%
Cost of revenue	(95,228)	(146,123)	(271,542)	(116,510)	(332,760)	53%	86%	69%	186%
Gross profit	**9,009**	**12,854**	**16,674**	**7,583**	**22,975**	**43%**	**30%**	**36%**	**203%**
General and administrative expenses	(5,442)	(6,151)	(6,124)	(4,753)	(5,611)	13%	(0%)	6%	18%
Operating profit	**3,567**	**6,703**	**10,550**	**2,830**	**17,364**	**88%**	**57%**	**72%**	**514%**
Finance costs	(106)	(218)	(38)	(36)	(72)	104%	(83%)	(40%)	101%
Other income	260	831	1,249	827	703	220%	50%	119%	(15%)
Profit before zakat	**3,720**	**7,316**	**11,761**	**3,621**	**17,994**	**97%**	**61%**	**78%**	**397%**
Zakat	(511)	(693)	(897)	-	(1,021)	35%	29%	32%	na
Profit for the year	**3,209**	**6,623**	**10,864**	**3,621**	**16,974**	**106%**	**64%**	**84%**	**369%**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Revenue

Revenue increased by 53% from SAR104.2 million in 2018G to SAR159.0 million in 2019G due to the increase in the percentage of completion of the Nesaj Town 1 in Dammam from c.9% in 2018G to c.87% in 2019G given that the company started the construction work at the end of 2018G. In addition, the percentage of completion related to Corniche Park project increased from c.37% in 2018G to c.95% in 2019G and the kick-off of the construction work in Retal Business Tower in 2019G (percentage of completion of c.34%).

Revenue increased by 81% from SAR159.0 million in 2019G to SAR288.2 million in 2020G, following the kick-off of the construction work of Nesaj Town 2 in Dammam, with1,653 units (percentage of completion reached 30%) and the increase in the construction works of Retal Business Tower project. This increase was partially offset by the decrease in Nesaj Town 1 revenue as a result of the completion of most of the related works and handing over the project.

Revenue increased by 187% from SAR124.1 million in the nine-month period ended 30 September 2020G to SAR355.7 million in the nine-month period ended 30 September 2021G, mainly due to an increase in the percentage of completion of Nesaj Town 2 in Dammam reaching c.75% completion in the nine-month period ended 30 September 2021G as construction began in the middle of 2020G.

Cost of revenue

Cost of revenue increased by 53% from SAR95.2 million in 2018G to SAR146.1 million in 2019G due to an increase in cost of the Nesaj Town 1 project in Dammam of SAR119.3 million in 2019G (SAR22.0 million in 2018G) in addition to an increase in cost of the Corniche Park project and the Retal Business Tower project in line with the increase in the percentage of completion c. 95% and c. 34%, respectively.

Cost of revenue increased by 86% from SAR146.1 million in 2019G to SAR271.5 million in 2020G, as a result of the commencement of construction activities for the Nesaj Town 2 project in Dammam.

Cost of revenue increased by 186% from SAR116.5 million in the nine-month period ended 30 September 2020G to SAR332.8 million in the nine-month period ended 30 September 2021G, mainly due to an increase in the percentage of completion of Nesaj Town 2 in Dammam which reached c.75% in the nine-month period ended 30 September 2021G.

General and administrative expenses

Table (6-48): General and administrative expenses for the financial years ended 31December, 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Management Account	Nine-month period ended 30 September 2021G Management Account	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G -30 September 2021G
Employee salaries and related benefits	4,509	4,626	4,603	4,082	3,766	3%	(0%)	1%	(8%)
Utilities	250	384	642	291	220	54%	67%	60%	(24%)
Rent	329	366	137	139	-	11%	(63%)	(35%)	(100%)
Depreciation	23	8	143	7	179	(65%)	1688%	149%	2616%
Doubtful debts	-	-	-	-	1288	na	na	na	na
Others	331	767	599	235	158	132%	(22%)	35%	(33%)
Total	**5,442**	**6,151**	**6,124**	**4,753**	**5,611**	**13%**	**(0%)**	**6%**	**18%**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed management accounts for the nine-month period ended 30 September 2020G and 2021G

General and administrative expenses increased by 13% from SAR5.4 million in 2018G to SAR6.2 million in 2019G, due to an increase in utilities expenses related to phone and internet, in addition to expenses related to project studies for new projects which amounted SAR328 thousand in 2019G.

General and administrative expenses remained stable at SAR6.1 million in 2020G, despite the increase in the value of utility bills in line with moving the Company to a new headquarter in Retal Business Tower, in addition to an increase in depreciation expense due to addition in tools and equipment for the Company's headquarters in Retal Business Tower as this was offset by a decrease in rental expense as a result of obtaining discounts on lease contracts.

General and administrative expenses decreased by 18% from SAR4.8 million in the nine-month period ended 30 September 2020G to SAR5.6 million in the nine-month period ended 30 September 2021G, mainly in connection with the doubtful debt expense amounting to SAR1.3 million booked in the nine-month period ended 30 September 2020G in connection with VAT refund claims being discussed with the Zakat and Income Authority partially coupled with the increase in depreciation expense (+SAR172 thousand); this was offset by the reduction in salaries and expenses related to administrative staff (-SAR316 thousand) and to the decrease in rental costs (-SAR139 thousand) as a result of moving the headquarters to Retal Business Tower, in which BCC's lease contract was recorded as a right-of-use asset.

Finance cost

Finance cost increased by 104% from SAR106 thousand in 2018G to SAR218 thousand in 2019G, as the Company started recording the financial expenses associated with right-of-use assets, in addition to the high financial expenses associated with the end-of-service.

Finance cost decreased by 83% from SAR218 thousand in 2019G to SAR38 thousand in 2020G, due to a reversal of provisions despite the increase in financial expenses associated with right-of-use assets.

Finance cost increased by 101% from SAR36 thousand in the nine-month period ended 30 September 2020G to SAR72 thousand in the nine-month period ended 30 September 2021G, as the company started recording the financial expenses associated with right-of-use assets in June 2020G onwards.

Other income

Other income increased by 220% from SAR260 thousand in 2018G to SAR831 thousand in 2019G, due to an incentive granted of SAR500 thousand from the parent Company in return for the completion of the works of the Retal Business Tower.

Other income increased by 50% from SAR831 thousand in 2019G to SAR1.2 million in 2020G, due to government financial consideration of SAR324 thousand related to government fees granted to the company, in addition to selling scrap to third parties.

Other income decreased by 15% from SAR827 thousand in the nine-month period ended 30 September 2020G to SAR703 thousand in the nine-month period ended 30 September 2021G, mainly due to decrease in the incentives granted to the Company over this period.

Zakat

Zakat expense increased by35% from SAR511 thousand in 2018G to SAR693 thousand in 2019G and further increased by 29% to SAR897 thousand in 2020G, as a result of the increase in operating profit and profit before zakat during the same period.

The Company did not record any zakat expense in the nine-month period ended 30 September 2020G as Management used to record the Zakat expense at year-end in the nine-month period ended 30 September 2020G, while Management started recording this expense on a quarterly basis during the nine-month period ended 30 September 2021G whereby the Zakat expense amounted to SAR1.0 million during the same period.

6.8.2 Statement of financial position

Table (6-49): Statement of financial position as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)
Non-current assets	14,963	9,776	21,968	38,959
Current assets	47,967	53,635	176,958	145,653
Total assets	**62,930**	**63,412**	**198,927**	**184,612**
Total current liabilities	43,535	37,125	159,705	154,146
Total non-current liabilities	3,735	4,410	6,959	6,993
Total liabilities	**47,269**	**41,535**	**166,663**	**161,139**
Total equity	**15,661**	**21,877**	**32,263**	**23,474**
Total liabilities and equity	**62,930**	**63,412**	**198,927**	**184,612**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Assets

Non-current assets

Non-current assets decreased from SAR15.0 million as of 31 December 2018G to SAR9.8 million as of 31 December 2019G as a result of the decrease in the non-current portion of retention receivable from SAR13.2 million to SAR6.8 million, and the decrease in long-term retention rates as a result of transferring the receivable balances of Abdul Latif and Muhammad Al-Fozan Company to the Retal Company accounts.

Non-current assets increased from SAR9.8 million as 31 December 2019G to SAR22.0 million as of 31 December 2020G, as a result of an increase in the non-current portion of retention receivable due to increase in receivable balances for Nesaj Town 2 which started construction in mid 2020G.

Non-current assets increased from SAR22.0 million as 31 December 2020G to SAR39.0 million as of 30 September 2021G as a result of the increase in the non-current portion of retention receivable due to increase in receivable in connection with Nesaj Town 2 in Dammam.

Current assets

Current assets increased from SAR48.0 million as of 31 December 2018G to SAR53.6 million as of 31 December 2019G as a result of the increase in retention receivable balance from SAR38.9 million to SAR45.9 million related to the Nesaj Town 1 project.

Current assets increased from SAR53.6 million as of 31 December 2019G to SAR177.0 million as of 31 December 2020G as a result of the increase in retention receivable balances from SAR45.9 million to SAR122.4 million in relation to the Nesaj Town 2 project which started construction in mid 2020G.

Current assets decreased from SAR177.0 million as of 31 December 2020G to SAR145.7 million as of 30 September 2021G, as a result of the decrease in the retention receivable balance related to Nesaj Town 2 in line with the progress of the project.

Liabilities and Equity

Current liabilities

Current liabilities decreased from SAR43.5 million as of 31 December 2018G to SAR37.1 million as of 31 December 2019G as a result of the decrease in the accrued expenses and other payable balances, which include advance payments from related parties (Retal Company), where the balance decreased from SAR10.7 million to SAR6.9 million due to the amortization of payments provided against completion of the Nesaj Town 1 project and Corniche Park project.

Current liabilities increased from SAR37.1 million as of 31 December 2019G to SAR159.7 million as of 31 December 2020G as a result of the increase in the accrued balance to subcontractors and suppliers, which increased from SAR15.1 million to SAR54.7 million (+SAR39.6 million), in addition to an increase in the contract liability balance from SAR1.5 million to SAR24.6 million, coupled with the increase in other payable balances and accrued expenses from SAR9.4 million to SAR62.0 million due to the increase in payments made by related parties (Retal Company) in relation to the Nesaj Town project.

Current liabilities decreased from SAR159.7 million as of 31 December 2020G to SAR154.1 million as of 30 September 2021G, as a result of the decrease in payables balances from related parties (the Nesaj Town 2 project) which was offset by an increase in accrued expenses and other payables.

Non-current liabilities

Non-current liabilities increased from SAR3.7 million as of 31 December 2018G to SAR4.4 million as of 31 December 2019G as a result of the increase in the employee's termination benefits.

Non-current liabilities increased from SAR4.4 million as of 31 December 2019G to SAR7.0 million as of 31 December 2020G as a result of the increase in the non-current amount of the lease liability, which relates to the premises for workers' accommodation and amounted to SAR2.0 million.

Non-current liabilities remained stable at SAR7.0 million as of 30 September 2021G.

Equity

Total equity increased from SAR15.7 million as of 31 December 2018G to SAR21.9 million at 31 December 2019G due to the increase in profit for the year which amounted to SAR6.6 million in 2019G. Total equity increased further to SAR32.3 million as of 31 December 2020G due to the increase in profit for the year which amounted to SAR10.9 million in 2020G.

Total equity decreased from SAR32.3 million as of 31 December 2020G to SAR23.5 million as of 30 September 2021G following the repayment of the contributions from shareholders amounting to about SAR7.5 million.

Share Capital

Table (6-50): Share Capital as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

Name	Share Capital				Actual ownership %			
SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)
Retal Urban Development Company	4,750	4,750	4,750	4,750	95.0%	95.0%	95.0%	95.0%
Nesaj Urban Development Company	250	250	250	250	5.0%	5.0%	5.0%	5.0%
Total	**5,000**	**5,000**	**5,000**	**5,000**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The Company's share capital consists of 5,000 shares, where the value of each is SAR1 thousand, as of 31 December 2018G, 2019G, 2020G and 30 September 2021G.

6.8.3 Contingent liabilities

Table (6-51): Contingent liabilities balance as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)
Contingent liabilities on ongoing projects with clients	240,182	51,153	536,617	588,548

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

In the normal course of the Company's operation, the Company enters into contracts to assess the damages that might occur because of non-compliance with performance or delay in projects. Management believes that there is no material obligation beyond the amount shown in this prospectus. The contingent liabilities on ongoing projects with clients amounted to SAR240.2 million as of 31 December 2018G, SAR51.2 million as of 31 December 2019G, SAR536.6 million as of 31 December 2020G and SAR588.5 million as of 30 September 2021G.

Bank guarantees

Table (6-52): Bank guarantees as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)
Bank guarantees	22,410	4,600	3,780	3,780

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

The Company has bank guarantees in relation to the normal course of business and operation, and letters of guarantees that were issued under bank facilities through related parties. Bank guarantees amounted to SAR22.4 million as of 31 December 2018G, SAR4.6 million as of 31 December 2019G and SAR3.8 million as of 31 December 2020G and as of 30 September 2021G.

6.8.4 Statement of Cash flows

Table (6-53): Statement of cash flows for the financial years ended 31 December 2018G, 2019G, 2020G and the nine-month period ended 30 September 2021G

SAR in 000s	2018G (Audited)	2019G (Audited)	2020G (Audited)	Nine-month period ended 30 September 2021G (Reviewed)
Profit before zakat	3,720	7,316	11,761	17,994
Net cash from (used in) operating activities	2,089	102	6,241	20,862
Net cash (used in) from investing activities	(425)	(1,313)	(2,438)	(2,836)
Net cash from (used in) financing activities	-	(334)	(827)	(18,968)
Net change in cash and cash equivalents	1,665	(1,544)	2,976	(942)
Cash and cash equivalents at the beginning of the period	234	1,899	355	3,331
Cash and cash equivalents at the end of the period	1,899	355	3,331	2,388

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Net cash from (used in) operating activities

Net cash from operating activities decreased from SAR2.1 million in 2018G to SAR102 thousand in 2019G, due to the increase in cash used in operational activities, which led to a decrease in working capital activities, as the accrued expenses and other credit balances decreased from SAR11.2 million to -SAR5.9 million. This was coupled with the decrease in the contingent liability from SAR2.0 million to -SAR2.6 million.

Net cash from operating activities increased from SAR102 thousand in 2019G to SAR6.2 million in 2020G, as a result of the increase in current liabilities balances, which positively affected the operating activities (+SAR121.4 million) mainly accounts payable and accrued expenses and other liabilities despite the increase in account receivables and retention receivables balances by SAR76.3 million.

Net cash from operating activities increased from SAR6.2 million in 2020G to SAR20.9 million in the nine-month period ended 30 September 2021G due to the positive impact of changes in working capital, which included an increase in prepayments and other receivables balance from -SAR39.6 million to -SAR1.7 million during the period, in addition to the increase in inventory from (-SAR17.9 million) to SAR5.8 million. This was partially offset by the decrease in the accrued and other payable balances, from SAR46.0 million to SAR15.8 million during the period.

Net cash (used in) from investing activities

Net cash used in investing activities increased from SAR425 thousand in 2018G to SAR1.3 million in 2019G and further to SAR2.4 million in 2020G, as a result of additions to property and equipment.

Net cash used in investing activities increased from SAR2.4 million in 2020G to SAR2.8 million in the nine-month period ended 30 September 2021G as a result of further additions to property and equipment over the period.

Net cash (used in) from financing activities

Net cash used in financing activities increased from nil in 2018G to SAR334 thousand in 2019G and was related to paying finance expense on lease liability expenses (SAR333 thousand) in connection with staff accommodation.

Net cash used in financing activities increased from SAR334 thousand in 2019G to SAR827 thousand in 2020G, as a result of paying finance expenses related to lease liability expenses in connection with the housing of construction employees.

Net cash used in financing activities increased from SAR827 thousand in 2020G to SAR19.0 million in the nine-month period ended 30 September 2021G, as a result of dividend distribution to shareholders of SAR18.2 million.

6.9 Management discussion and analysis (MD&A) for Tadbeir Limited Company ("Tadbeir")

The following Management's Discussion and Analysis ("**MD&A**") of the financial results relates to Tadbeir Limited Company ("**Tadbeir**"), a material subsidiary, for the years ended 31 December 2018G, 2019G and 2020G, in addition to the interim period for the nine-months ended 30 September 2020G and 2021G. Our analysis was based on the audited financial statements for the years ended 31 December 2018G ("**FY18G**"), 2019G ("**FY19G**") and 2020G ("**FY20G**") and the reviewed condensed interim financial statements for the nine-month period ended 30 September 2021G. The financial statements have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and statements approved by the Saudi Organization for Auditors and Accountants (SOCPA).

6.9.1 Statement of profit and loss and other comprehensive income

Table (6-54): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G -30 September 2021G
Revenue	20,399	28,466	31,016	20,687	21,939	40%	9%	23%	6%
Cost of revenue	(17,065)	(22,770)	(27,412)	(19,122)	(20,032)	33%	20%	27%	5%
Gross profit	**3,334**	**5,695**	**3,603**	**1,565**	**1,906**	**71%**	**(37%)**	**4%**	**22%**
General and administrative expenses	(3,415)	(4,748)	(5,114)	(3,426)	(3,607)	39%	8%	22%	5%
Operating profit	**(81)**	**948**	**(1,511)**	**(1,860)**	**(1,701)**	**(1264%)**	**(259%)**	**33%**	**(9%)**
Finance costs	(11)	(25)	(85)	(27)	(53)	130%	243%	181%	100%
Other income	(5)	-	-	-	-	(100%)	na	0.0%	na
Profit before zakat	**(97)**	**923**	**(1,596)**	**(1,887)**	**(1,754)**	**(1049%)**	**(273%)**	**305%**	**(7%)**
Zakat	-	(50)	-	-	-	na	(100.0%)	0.0%	na
Profit for the year	**(97)**	**873**	**(1,596)**	**(1,887)**	**(1,754)**	**(997%)**	**(283%)**	**305%**	**(7%)**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Revenue

Revenue increased by 40% from SAR20.4 million in 2018G to SAR28.5 million in 2019G, due to: (i) signing a new facility management contract with Emaar Jeddah Gate with a contract value of SAR20.0 million, (ii) the increase in revenue related to Nice project amounting to SAR3.5 million, (iii) increase in Durrat Al-Nakheel revenue from SAR83 thousand in 2018G to SAR4.5 million in 2019G.

Revenue increased by 9% from SAR28.5 million in 2019G to SAR31.0 million in 2020G, following the new contract signed mainly with DHL and Al Fozan Housing Program.

Revenue increased by 6% from SAR20.7 million in the nine-month period ended 30 September 2020G to SAR21.9 million in the nine-month period ended 30 September 2021G, mainly due to signing new contracts with Souk Alhalwiat Mall, Olaya Mall, Granada Business Center, General Authority of Zakat, Tax and customs and Retal Business Park.

Cost of revenue

Cost of revenue increased by 33% from SAR17.1 million in 2018G to SAR22.8 million in 2019G, due to an increase in the cost of Al Fozan Housing program, Nice Company, Durrat Al-Nakheel and Al-Khobar lake.

Cost of revenue increased by 20% from SAR22.8 million in 2019G to SAR27.4 million in 2020G, as a result of the increase in the costs associated with multiple contracts including Al-Shaya project and the reconstruction of Jeddah Gate and The Valley.

Cost of revenue increased by 5% from SAR19.1 million in the nine-month period ended 30 September 2020G to SAR20.0 million in the nine-month period ended 30 September 2021G, mainly due to an increase in the cost associated with Alhalwiat Mall, Olaya Mall, Granada Business Center, ZATCA and Retal Business Park and this was partially offset by the decrease in employee costs because the Emaar Jeddah contract was not renewed.

General and administrative expenses

Table (6-55): General and administrative expenses for the financial years ended 31December, 2018G, 2019G and 2020G and the nine-month period ended 30 September 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Nine-month period ended 30 September 2020G Reviewed	Nine-month period ended 30 September 2021G Reviewed	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Variance 30 September 2020G -30 September 2021G
Employee salaries and related benefits	2,254	3,369	3,545	2,642	2,632	50%	5%	25%	(0%)
Business trips	-	157	246	128	90	na	57%	0.0%	(30%)
Insurance	106	104	203	165	69	(2%)	95%	38%	(58%)
Depreciation of right of use	-	-	167	-	167	na	na	0%	na
Rent	332	352	127	98	-	6%	(64%)	(38%)	(100%)
Depreciation	53	83	69	45	111	57%	(17%)	14%	147%
Others	670	683	757	348	538	2%	11%	6%	55%
Total	**3,415**	**4,748**	**5,114**	**3,426**	**3,607**	**39%**	**8%**	**22%**	**5%**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and management accounts for the nine-month period ended 30 September 2020G and 2021G

General and administrative expenses increased by 39% from SAR3.4 million in 2018G to SAR4.7 million in 2019G, due to an increase in employee salaries and related benefits from SAR2.3 million to SAR3.4 million.

General and administrative expenses increased by 8% from SAR4.7 million in 2019G to SAR5.1 million in 2020G, due to an increase in the business trips associated with signing new contracts, in addition the increase in insurance expense (SAR203 thousand) during the same period.

General and administrative expenses increased by 5% from SAR3.4 million in the nine-month period ended 30 September 2020G to SAR3.6 million in the nine-month period ended 30 September 2020G, mainly due to an increase in the depreciation related to right-of-use assets and other expenses.

Finance cost

Finance cost increased from SAR11 thousand in 2018G to SAR25 thousand in 2019G, as a result of an increase in the finance cost associated with the end of service provision.

Finance cost increased from SAR25 thousand in 2019G to SAR85 thousand in 2020G, due to the increase in the finance cost associated with the lease contracts in Retal Business Tower.

Finance cost increased from SAR27 thousand in the nine-month period ended 30 September 2020G to SAR53 thousand in the nine-month period ended 30 September 2021G for the same reason mentioned above.

Other income / expenses

Other expenses amounted to SAR5 thousand in 2018G, mainly related to expenses associated with disposable of property and equipment. The company did not incur any other income in 2019G, 2020G and the nine-month period ended 30 September 2020G.

Zakat

Zakat expense amounted to SAR50 thousand in 2019G, while the company did not record any zakat expense in 2018G, 2020G, and the nine-month period ended 30 September 2020G and 2021G as a result of the financials losses in these years.

6.9.2 Statement of financial position

Table (6-56): Statement of financial position as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)
Non-current assets	487	1,006	6,112	5,994
Current assets	7,403	12,666	19,195	21,879
Total assets	**7,890**	**13,672**	**25,307**	**27,873**
Total current liabilities	6,090	10,731	20,909	21,132
Total non-current liabilities	499	888	4,290	3,887
Total liabilities	**6,589**	**11,619**	**25,200**	**25,020**
Total equity	**1,301**	**2,053**	**107**	**2,853**
Total liabilities and equity	**7,890**	**13,672**	**25,307**	**27,873**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2020G and 2021G

Assets

Non-current assets

Non-current assets increased from SAR487 thousand as of 31 December 2018G to SAR1.0 million as of 31 December 2019G as a result of the increase in property and equipment due to additions mainly to office equipment (SAR155 thousand) and furniture and fixtures (SAR651 thousand) during the same period.

Non-current assets increased from SAR1.0 million as 31 December 2019G to SAR6.1 million as of 31 December 2020G, as a result of recording right-of-use assets of SAR3.2 million in 2020G, in addition to investment property related to residential villas from a related party (Retal Company) (SAR1.9 million).

Non-current assets slightly decreased from SAR6.1 million as 31 December 2020G to SAR6.0 million as of 30 September 2021G following the slight decrease in right-of-use assets.

Current assets

Current assets increased from SAR7.4 million as of 31 December 2018G to SAR12.7 million as of 31 December 2019G as a result of the increase in the accounts receivable balance from SAR2.8 million to SAR5.2 million, in addition to the increase in the contract assets (+SAR0.6 million) and the prepayments and other receivables balance (+SAR1.4 million) as well as cash and cash equivalents (+SAR0.8 million).

Current assets increased from SAR12.7 million as of 31 December 2019G to SAR19.2 million as of 31 December 2020G, as a result of the increase in accounts receivable from SAR5.3 million to SAR10.4 million.

Current assets increased from SAR19.2 million as of 31 December 2020G to SAR21.9 million as of 30 September 2021G, following the increase in the receivable balances due from a related party (+SAR2.4 million), this was partially offset by the decrease in cash and cash equivalents (-SAR1.3 million).

Liabilities and Equity

Current liabilities

Current liabilities increased from SAR6.1 million as of 31 December 2018G to SAR10.7 million as of 31 December 2019G as a result of the increase in the accounts payable from SAR4.6 million to SAR8.8 million, in addition to the increase in the accrued expenses and other credit balances from SAR742 thousand to SAR1.8 million.

Current liabilities increased from SAR10.7 million as of 31 December 2019G to SAR20.9 million as of 31 December 2020G as a result of the increase in accounts payable from SAR8.8 million to SAR18.0 million.

Current liabilities slightly increased from SAR20.9 million as of 31 December 2020G to SAR21.1 million as of 30 September 2021G, following the increase in accounts payable from SAR18.0 million to SAR18.3 million.

Non-current liabilities

Non-current liabilities increased from SAR499 thousand as of 31 December 2018G to SAR888 thousand as of 31 December 2019G as a result of the increase in the end of service indemnity.

Non-current liabilities increased from SAR888 thousand as of 31 December 2019G to SAR4.3 million as of 31 December 2020G as a result of the increase in the non-current lease liability related to the lease contract in Retal Business Tower (+SAR2.8 million).

Non-current liabilities decreased from SAR4.3 million as of 31 December 2020G to SAR3.9 million as of 30 September 2021G as a result of the decrease in the non-current lease liability balance.

Equity

Total equity increased from SAR1.3 million as of 31 December 2018G to SAR2.1 million at 31 December 2019G due to the increase in the net profit for the year which amounted to SAR873 thousand in 2019G.

Total equity decreased from SAR2.1 million at 31 December 2019G to SAR107 thousand as of 31 December 2020G due to the net losses of the year.

Total equity increased from SAR107 thousand as of 31 December 2020G to SAR2.9 million as of 30 September 2021G as a result of the share capital increase from SAR500 thousand to SAR5.0 million, offset by the net losses of the year amounting to SAR1.6 million.

Share Capital

Table (6-57): Share Capital as of 31 December 2018G, 2019G, 2020G and 30 September 2021G

Name	Share Capital				Actual ownership %			
SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 September 2021G (Reviewed)
Retal Urban Development Company	5,00	500	500	4,750	100.0%	100.0%	100.0%	95.0%
Mr. Amer Al Khushel	-	-	-	250	-	-	-	5.0%
Total	**500**	**500**	**500**	**5,000**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

During the nine-month period ended 30 September 2021G, the company's share capital was increased from SAR500 thousand to SAR5 million through a cash contribution from Retal Urban Development Company. The legal procedures related to this increase in share capital were completed during the same period. In addition, Mr. Amer Al Khushel contributed SAR250 thousand to the capital of Tadbeir Limited Company which represents a 5% ownership in the company.

6.9.3 Statement of Cash flows

Table (6-58): Statement of cash flows for the financial years ended 31 December 2018G, 2019G, 2020G and the nine-month period ended 30 September 2021G

SAR in 000s	2018G (Audited)	2019G (Audited)	2020G (Audited)	Nine-month period ended 30 September 2021G (Reviewed)
Profit before zakat	(97)	923	(1,596)	(1,754)
Net cash from (used in) operating activities	**213**	**1,549**	**1,651**	**(4,908)**
Net cash (used in) from investing activities	**(234)**	**(806)**	**(404)**	**(643)**
Net cash from (used in) financing activities	**-**	**-**	**(365)**	**4,135**
Net change in cash and cash equivalents	(21)	742	882	(1,416)
Cash and cash equivalents at the beginning of the period	484	463	1,205	2,088
Cash and cash equivalents at the end of the period	**463**	**1,205**	**2,088**	**671**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and reviewed financial statements for the nine-month period ended 30 September 2021G

Net cash from (used in) operating activities

Net cash from operating activities increased from SAR213 thousand in 2018G to SAR1.6 million in 2019G, due to the increase in the change in accounts payable from SAR4.3 million to SAR4.2 million, in addition to achieving a net profit before Zakat amounting to SAR922 thousand in 2019G as compared to a loss of SAR97 thousand in 2018G.

Net cash from operating activities increased from SAR1.5 million in 2019G to SAR1.7 million in 2020G due to the increase in changes in accounts payable from SAR4.3 million in 2019G to SAR7.1 million in 2020G, offset by a decrease in accounts receivable to (-SAR5.1 million) in 2020G and incurring net losses amounting to SAR1.6 million in 2020G compared to a net profit before Zakat of SAR922 thousand in 2019G.

Net cash from operating activities amounted to (-SAR4.9 million) in the nine-month period ended 30 September 2021G, as a result of incurring net losses for the year amounting to SAR1.8 million.

Net cash (used in) from investing activities

Net cash used in investing activities increased from SAR234 thousand in 2018G to SAR806 thousand in 2019G, as a result of additions to property and equipment amounting to SAR806 thousand in 2019G compared to SAR373 thousand in 2018G.

Net cash used in investing activities decreased from SAR806 thousand in 2019G to SAR4.3 thousand in 2020G due to lower addition in the property and equipment.

Net cash used in investing activities amounted to SAR643 thousand in the nine-month period ended 30 September 2021G, as a result of the property and equipment amounting to SAR643 thousand, purchased over the same period.

Net cash (used in) from financing activities

The company did not record and cash from financing activities during 2019G and 2020G.

Net cash used in financing activities amounted to SAR365 thousand in 2020G and was related to the expenses associated with right of use assets.

Net cash used in financing activities amounted to SAR4.1 thousand in the nine-month period ended 30 September 2021G, as a result of the injection of share capital made by the shareholders amounting to SAR4.5 million.

7. DIVIDEND DISTRIBUTION POLICY

Under Article 110 of the Companies Law, a Shareholder is vested with all rights attached to Shares, which include in particular the right to receive a share in the dividends declared for distribution. The Board of Directors shall recommend declaring and paying any dividends before approval by the Shareholders at the meeting of the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position, and legal and regulatory considerations. For example, Shares give their holders the right to receive dividends announced by the Company from the date of this Prospectus and for the following fiscal years. Despite the Company's intention to distribute annual dividends to its shareholders, there are no guarantees that such dividends will be actually distributed, nor is there any guarantee regarding the amounts of dividends paid in any year.

Dividend distribution is also subject to the restrictions set out in the Company's bylaws. Moreover, under some of the Company's facility agreements, the Company undertakes not to declare or distribute any dividends or repay any loans to its shareholders in the event of default. The Company's dividends shall be distributed in Saudi Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a- 10% of the net profits shall be set aside to form the Company's statutory reserve and the Ordinary General Assembly may discontinue said deductions when the statutory reserve amounts to 30% of the Company's paid-up share capital.

b- The Ordinary General Assembly may, upon recommendation of the Board of Directors, set aside not more than 10% of the net profits to form a contractual reserve allocated for a specific purpose or for specific purposes.

c- The Ordinary General Assembly may resolve to set aside other reserves, to the extent that doing so serves the interest of the Company, or ensures the distribution of as stable a dividend as possible to Shareholders. Said Assembly may also deduct from the net profits amounts for the establishment of social institutions for the Company's employees or to help existing institutions.

d- From the remainder, a portion representing of no less than 5% of the paid-up share capital of the Company shall be distributed among the Shareholders

e- The Company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis by a decision of the Board of Directors if the Company's financial position so permits and liquidity is available according to the controls and procedures set by the competent authority.

f- Subject to the provisions of Article 19 of the Bylaws of the Company and Article 76 of the Companies Law, a portion not exceeding 10% of the remainder shall be set aside to remunerate the Board of Directors, provided that such remuneration be proportionate to the number of sessions attended by each director.

The dividend distribution policy may change from time to time, in accordance with the controls of the competent authority.

The following is a summary of share dividends declared and distributed by the Company during the years ended 31 December 2018G, 2019G and 2020G, and the period ended 30 September 2021G, respectively:

Table (7-1): Dividends declared and distributed by the Company during the years ended 31 December 2018G, 2020G, 2019G and the period ended on 30 September 2021G

SAR (thousands)	31 December 2018G	31 December 2019G	31 December 2020G	Period Ended 30 September 2021G*
Declared Dividends	-	50,000	80,000	67,700
Dividends Paid for the Year*	-	-	50,000	147,700
Net Profit for the year	2,739	59,692	98,634	119,813
% of declared dividends to the Company's net income	0%	84%	81%	80%

Source: the Company

* On 11 June 2020G, the Company announced the distribution of dividends for the financial year ending 31 December 2019G. amounting to 50 million Saudi Riyals, or 84% of the net profit for the financial year ending 31 December 2019, amounting 59.6 million Saudi Riyals. Said dividend was paid to the Shareholders on 09 September 2020G.

On 31 May 2021G, the Company announced the distribution of dividends for the financial year ending 31 December 2020G, amounting to 80 million Saudi Riyals, or 81% of the net profit for the financial year ending 31 December 2020G, amounting to 98.6 million Saudi Riyals. Said dividend was paid to the Shareholders on 24 August 2021G.

On October 28 2021G, the Company announced the distribution of dividends for the first half of 2021G, amounting to 67.7 million Saudi Riyals, or 80% of the net profit for the period ended June 30, 2021G, amounting to 84.6 million Saudi Riyals. Said dividend was paid to the Shareholders on 28 December 2021G.

The following is a summary of share dividends declared and distributed by the Subsidiaries during the years ended 31 December 2018G, 2019G, 2020G and the Period Ended 30 September 2021G, respectively:

Table (7-2): Dividends declared and distributed by the Subsidiaries during the years ended 31 December 2018G, 2019G, 2020G and the period ended on 30 September 2021G

SAR (thousands)	31 December 2018G	31 December 2019G	31 December 2020G	Period Ended 30 September 2021G
Tadbeir Real Estate Company	-	-	-	-
Tadbeir Limited Company	-	-	-	-
Nesaj Urban Development Company	-	-	-	-
Building Construction Company Limited	-	-	18,171	-
Remal AlKhobar Real Estate Company				

Source: the Company

8. USE OF PROCEEDS

Total proceeds from the Offering are estimated at around SAR [·] of which approximately SAR [·] will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisor, the Auditor, the Financial Due Diligence Advisor, the Receiving Agent, the Market Research Consultant, and the other consultants, as well as marketing, printing, and distribution fees, and other costs and expenses related to the Offering. The Company will not receive any part of the net proceeds from the Offering.

The Net Proceeds from the Offering of approximately SAR [·] will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Offer Shares being sold in the Offering. The Company will not receive any part of the Net Proceeds from the Offering. The Selling Shareholders shall bear all the fees, expenses and costs related to the Offering.

9. CAPITALIZATION AND INDEBTEDNESS

Prior to the Offering, the Selling Shareholders owned the entire share capital of the Company and, following the completion of the Offering, the Selling Shareholders will own 70% of the share capital of the Company.

The table below sets out the capitalization of the Company as derived from the audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G, 2020G and the audited financial statements for the period ended 30 September 2021G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto, which are set out in Section 20 ("**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORTS**").

Table (9-1): Capitalization and Indebtedness of the Company

SAR (in thousands)	FY18G	FY19G	FY20G	Period Ended 30 September 2021G
Related parties balances	173,466	88,725	111,916	102,467
Short term loans	-	-	50,000	50,000
Term loans - current portion	-	-	83,733	281,548
Term loans - non-current portion	-	-	64,667	102,930
Total interest bearing loans	**173,466**	**88,725**	**310,316**	**536,945**
Lease liabilities	-	17,799	11,767	6,901
Total loans and lease obligations	**173,466**	**106,524**	**322,082**	**543,846**
Share capital	10,000	250,000	375,000	400,000
Statutory reserve	3,000	8,969	18,833	18,833
Retained earnings	38,775	88,692	127,462	147,362
Total Shareholders' Equity	130,210	346,167	518,786	563,686
Total capitalization (Total loans and lease obligations+ Total Shareholders' equity)	**303,675**	**452,691**	**840,869**	**1,107,532**
Total interest bearing loans / Total capitalization	57%	24%	38%	49%

Source: the Company's financial statements for the financial years ending on 31 December 2018G, 2019 and 2020 and the audited interim financial statements for the period ended 30 September 2021G.

The Directors confirm that:

- None of the Company's share capital is under option.
- Neither the Company nor its Subsidiaries have any debt instruments as of the date of this Prospectus.
- Its existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least twelve (12) months following the date of this Prospectus.

10. EXPERTS' STATEMENT

As of the date hereof, the Advisors listed on pages (vi) to (viii) have given and not withdrawn their written consent to the publication of their names, addresses, logos and statements attributed to it in this Prospectus as presented herein. Neither they nor any of their employees (forming part of the team serving the Company), or relatives have any shareholding or interest of any kind in the Company or any of its Subsidiaries as of the date of this Prospectus, which would impair their independence.

11. DECLARATIONS

The Directors declare the following:

1- The Listing does not constitute a breach of the relevant laws and regulations in Saudi Arabia.

2- The Listing does not constitute a breach of any contract/agreement entered into by the Company.

3- All material legal issues concerning the Company have been disclosed in the Prospectus.

4- Other than what has been mentioned in Section 12.12 ("**Litigation**"), the Company and its Subsidiaries are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its Subsidiaries or their financial position.

5- Other than what has been mentioned in Section 12.12 ("**Litigation**"), the Directors are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its Subsidiaries or their financial position.

6- Except as described in Section 5.1 ("**Board Members and Secretary**"), Section 5.3 ("**Senior Management**"), Section 5.6 ("**Conflict of Interest**") and Section 12.8 ("**Transactions and Contracts with Related Parties**"), none of the members of the Board of Directors nor any member of the Senior Executives nor the Secretary nor any of their relatives nor dependents have a direct or indirect interest whatsoever in the Shares or the Subsidiaries' shares, nor any interest in any other matter which may impact the Company's or the Subsidiaries' businesses. The Company and its Subsidiaries are prohibited from granting a loan of any kind to any Director, or guaranteeing a loan entered into by a Director.

7- Except as specified in Section 12.8 ("**Transactions and Contracts with Related Parties**") the Board Members do not, themselves, nor do any of the Senior Executives, Secretary, or their relatives or affiliates, have any interest in any written or verbal contract or arrangement in effect or contemplated or expected to be conducted with the Company and its Subsidiaries.

8- Except as disclosed in Section 5.6 ("**Conflict of Interest**"), as of the date of this Prospectus, there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company or its Subsidiaries.

9- Except as described in Section 4.7 ("**Overview of the Shareholders**") and Section 5.6 ("**Conflict of Interest**") of this Prospectus, neither they nor any of their relatives or affiliates have any Shares or interest of any kind in the Company or any of its Subsidiaries, until the date of this Prospectus.

10- The Company and its Subsidiaries possesses the necessary regulations and policies needed to prepare the interim and annual consolidated financial statements in conformity with IFRS-KSA, and within the deadlines set in the Listing Rules. Further, the Company and its Subsidiaries possesses the necessary regulations and policies to prepare all the other financial and non-financial reports, as required by the Rules on the Offer of Securities and Continuing Obligations and within the timeframes set out in these Rules on the Offer of Securities and Continuing Obligations.

11- The Company, individually or in association with its Subsidiaries, has sufficient working capital for at least twelve (12) months immediately following the date of this Prospectus.

12- None of Company or any of its Subsidiaries has issued any debt instruments, nor does it have any term loans or any other material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments), other than what was disclosed in Section 12.9 ("**Credit Facilities and Contracts**").

13- There is no intention to materially change the nature of the Company's business or that of its Subsidiaries. There has been no interruption in the business of the Company or that of its Subsidiaries that may significantly affect or have affected their financial position in the last twelve (12) months.

14- No commissions, discounts, brokerages or other non-cash compensations were granted by the Company or its Subsidiaries within the three (3) years immediately preceding application for registration and offer of securities in connection with the issue or sale of any securities.

15- There has been no material adverse change in the financial or trading position of the Company or its Subsidiaries in the three (3) years immediately preceding the date of filing the application for registration and offering of securities subject to this Prospectus in addition to the period since the end of the period covered by the accountant's report and until the date of this Prospectus.

16- The internal control measures and regulations were soundly prepared to establish a written policy that regulates present or potential conflicts of interest, including the misuse of the Company's assets and misfeasance resulting from transactions with Related Parties; in addition to safeguarding the security of financial and operational systems, and ensuring the implementation of appropriate supervisory measures to manage potential risks in accordance with Article 22 of the Corporate Governance Regulations. Furthermore, the Board shall conduct annual reviews of the Company and its Subsidiaries' internal control measures.

17- The audited consolidated financial statements of the Company for financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the audited financial statements for the period ended 30 September 2021G have been prepared in accordance with IFRS-KSA. The financial data in this Prospectus for FY18G has been extracted from the comparative financial information presented in the Company's consolidated financial statements for FY19G prepared in accordance IFRS-KSA. The financial data in this Prospectus for financial year 2019G has been extracted from the comparative financial information presented in the Company's consolidated financial statements for financial year 2020G.

18- None of the Directors or the CEO will vote on General Assembly resolutions that relate to any transaction or contract in which the Directors or the CEO have a direct or indirect interest.

19- Except for matters disclosed under Section 2.3.5 ("**Risks associated with Zakat, VAT and Real Estate Transaction Tax**"), as of the date of this Prospectus, there are no current objections or disputes from the ZATCA. The Selling Shareholders undertake to bear any additional claims that may arise from Zakat assessments by the General Authority for Zakat, Tax and Customs for the previous financial periods until the Company's shares are listed on the Exchange.

20- They have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, Capital Market Law and its implementing regulations, Rules on the Offer of Securities and Continuing Obligations and Listing Rules.

21- There is no pledge, mortgage or financial burden on any of the Company or its Subsidiaries' assets other than what was disclosed in Section 12.9 ("**Credit Facilities and Contracts**").

22- As of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other arrangement involving the employees in the capital of the Company

23- Unless otherwise approved by the General Assembly, the Directors may not have a direct or indirect interest in the transactions and contracts entered into by the Company.

24- The Directors will notify the Board of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting.

25- As of the date of this Prospectus, neither the Company nor its Subsidiaries have adopted any research and development policies.

26- No Shares of the Company are under option.

27- They have not at any time been declared bankrupt or been subject to bankruptcy proceedings.

28- None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity, was declared insolvent or bankrupt during the past five (5) years preceding the date of this Prospectus.

29- No powers exist giving any of the Directors the right to borrow money from the Company or its Subsidiaries.

The Board of Directors further declares complying with the provisions of Articles 71, 72, 73, 74 and 75 of the Companies Law and Article 46 of the Corporate Governance Regulations with respect to contracts with related parties as follows:

30- All transactions entered into by the Company with Related Parties shall be entered into on a commercial basis and all works and contracts with Related Parties shall be subject to vote in meetings of the Board of Directors, and if required by the Law, the Ordinary General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the Ordinary General Assembly.

31- Other than what was disclosed in Section 5.6 ("**Conflict of Interest**"), the members of the Board of Directors thus declare that they have not participated, jointly or severally, in any activities similar or competitive with the activities of the Company or its Subsidiaries. The Directors further undertake to fulfil the requirements of the Companies Law.

32- Neither the Directors nor any Senior Executive shall obtain a loan from the Company or its Subsidiaries, and the Company shall not guarantee any loan entered into by a Director.

In addition to the declarations described above, the Directors and the Chief Executive Officer declare that:

33- The Directors, Managing Director and the Chief Executive Officer shall not have the right to vote on decisions relating to their fees and remuneration.

The Directors also declare:

34- That the internal control, accounting and IT systems of the Company are sufficient and adequate.

35- That all terms and conditions that may affect the decisions of the Subscribers to invest in Offer Shares have been disclosed.

36- That the Company currently has no intention to sign any new contracts with any related parties, except for the renewal of contracts with the related parties that have been previously concluded and referred to in this Prospectus. In the case that the Company wishes to sign new contracts with related parties in the future, the Company shall adhere to Articles 71, 72, 73, 74 and 75 of the Companies Law and Article 46 of the Corporate Governance Regulations.

37- That as of the date of this Prospectus, the Shareholders whose names appear in Table 12-1 (“**Company’s Shareholding Structure Pre and Post Offering**”) of this Prospectus are the legal and beneficial owners of the Shares in the Company. The Board of Directors confirms that the Company’s structure is consistent with the Foreign Investment Law.

38- That all increases in the capital of the Company are in compliance with the laws and regulations applicable in Saudi Arabia.

39- The Company and its Subsidiaries do not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the balance sheet.

40- Except as disclosed in Section 2 (“**RISK FACTORS**”) and Section 6.5 (“**The key factors affecting the business and performance of the Group**“) the Company and its Subsidiaries are not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations or the operations of its Subsidiaries.

41- Except as disclosed in Section 2 (“**RISK FACTORS**”) and Section 6.5 (“**The key factors affecting the business and performance of the Group**“), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company and its Subsidiaries’ operations or financial position.

42- The Company and its Subsidiaries have insurance policies with sufficient insurance coverage to carry out its activities. The Company and its Subsidiaries renew their respective insurance policies regularly to ensure continued insurance coverage and the Company and its Subsidiaries took all reasonable security measures as per applicable industry practices.

43- All agreements which the Company considers to be material or important or which have an impact on a Subscriber’s decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed.

44- Except as disclosed in Section 2 (“**RISK FACTORS**”), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor’s decision to invest in the Offer Shares.

45- Except as disclosed in Sections 2.1.10 (“**Risks related to permits, licenses and approvals necessary for the Company’s business operations**”) as of the date of this Prospectus, the Company and its Subsidiaries have obtained all necessary licenses and permits to carry out its business activities.

46- Except as disclosed in Sections 2.1.20 (“**Risks associated with the Company’s current debt arrangements**”) and 12.9 (“**Credit Facilities and Contracts**”), all necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint stock company.

47- The Company is in compliance with all terms and conditions under the agreements with lenders granting loans, facilities and financing.

48- Record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors; and

49- Comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.

50- As of the date of this Prospectus, no contractual breaches with lending banks have occurred.

12. LEGAL INFORMATION

12.1 Declarations related to Legal Information

The members of the Board of Directors declare that:

- The Offering does not violate the applicable laws and regulations in the Kingdom.
- The Offering does not prejudice any contracts or agreements, which the Company is a party thereof.
- All material legal information relating to the Company has been disclosed in the Prospectus.
- The Company or the Subsidiaries is not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its Subsidiaries.
- Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its Subsidiaries.
- Except for matters disclosed in Section 5.6 ("**Conflict of Interest**"), the members of the Board of Directors and Senior Executives acknowledge that they did not jointly or severally participate in activities similar or competing with those of the Company or its Subsidiaries, and pledge to abide by the requirements of the Companies Law.

12.2 The Company

Retal Urban Development Company is a Saudi joint stock company established under commercial registration no. 2051047761 dated 12/03/1433H (corresponding to 04/02/2012G) pursuant to ministerial resolution no. 4247, dated 14/08/1441H (corresponding to 07/04/2020G). According to its commercial registration certificate, the Company's head office is located in Al Rawabi, King Faisal Street - Retal Tower, Al-Khobar. The current share capital of the Company is four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, including twenty-seven million five hundred thousand (27,500,000) cash shares and twelve million five hundred thousand (12,500,000) in-kind shares. In accordance with its bylaws, the Company's activities consist of construction, real estate activities, administrative services and support services. For further details, please refer to Section 4.1 ("**Overview of the Company and its Business Activities**").

12.3 Shareholding Structure

The following table shows the Company's shareholding structure before and after the Offering:

Table (12-1): Company's Shareholding Structure Pre and Post Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Par Value (SAR)	Ownership Percentage	Number of Shares	Par Value (SAR)	Ownership Percentage
Al Fozan Holding Company	37,500,000	375,000,000	93.75%	26,250,000	262,500,000	65.625%
Mr. Abdullah Bin Faisal Al-Braikan	2,000,000	20,000,000	5,00%	1,400,000	14,000,000	3.5%
Al Saham Holding Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Athman Holding Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Gheras Holding Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Maali Al Khaleej Trading Company	125,000	1,250,000	0.3125%	87,500	875,000	0.21875%
Public	-	-	-	12,000,000	120,000,000	30%
Total	40,000,000	400,000,000	100%	40,000,000	400,000,000	100.000%

Source: the Company

Details regarding the ownership of each founding shareholder have been provided in Section 4.7 ("**Overview of the Shareholders**").

12.4 Subsidiaries

The Company holds direct and indirect ownership interests in the following Subsidiaries:

Table (12-2): List of Subsidiaries

Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)
Nesaj Urban Development Company	Saudi Arabia	100%	0%
Tadbeir Limited Company	Saudi Arabia	95%	0%
Building Construction Company Limited	Saudi Arabia	95%	5%
Tadbeir Real Estate Company	Saudi Arabia	100%	0%
Remal AlKhobar Real Estate Company	Saudi Arabia	50%	0%
Etlalat AlSharq Real Estate Company	Saudi Arabia	50%	0%

Source: the Company

For more details on the Subsidiaries and their ownership, see Section 4.6 ("**Overview of the Structure of the Company and its Subsidiaries**").

12.5 Government Consents, Licenses and Certificates

The Company and its Subsidiaries have obtained several operational and regulatory licenses and certificates from the relevant competent authorities, which are periodically renewed. The Board members declare that the Company obtained all licenses and certificates necessary to conduct its business and maintain such activities. The following tables list licenses and certificates currently held by the Company and its Subsidiaries:

Table (12-3): List of Commercial Registration Certificates Obtained by the Company and its Subsidiaries

No.	Name and Location of Branch	C.R. Number	Issuance Date	Expiration Date
1.	Retal Urban Development Company Rawabi district- Al-Khobar	2051047761	12/03/1433H (corresponding to 04/02/2012G)	11/09/1443H (corresponding to 12/04/2022G)
2.	Building Construction Company Limited Rawabi district- Al-Khobar	2051023581	15/06/1420H (corresponding to 25/09/1999G)	10/04/1445H (corresponding to 25/10/2023G)
3.	Tadbeir Company Limited Rawabi district- Al-Khobar	2051059223	11/01/1436H (corresponding to 04/11/2014G)	10/01/1444H (corresponding to 08/08/2022G)
4.	Nesaj Urban Development Company Rawabi district- Al-Khobar	2051049871	17/09/1433H (corresponding to 05/08/2012G)	16/09/1443H (corresponding to 17/04/2022G)
5.	Tadbeir Real Estate Company Rawabi district- King Faisal Road, Al-Khobar	2051063497	06/04/1438H (corresponding to 04/01/2017G)	05/04/1445H (corresponding to 20/11/2023G)
6.	Remal AlKhobar Real Estate Company Rawabi district- Al-Khobar	2051236572	23/12/1442H (corresponding to 2/08/2021G)	23/12/1443H (corresponding to 22 July 2022G)
7.	Etlalat AlSharq Real Estate Company Rawabi district- King Faisal Road, Al-Khobar	2051234026	18/06/1442H (corresponding to 31/01/2021G)	18/06/1444H (corresponding to 11/01/2023G)

Source: the Company

Table (12-4): Details of Municipal Licenses Obtained by the Company and its Subsidiaries

No.	Name of Branch and Location	License Number	Issuance Date	Expiry Date
1.	Retal Urban Development Company Rawabi district- Al-Khobar	42044283242	-	13/05/1447H (corresponding to 04/11/2025G)
2.	Retal Urban Development Company AlYasmin district - Riyadh	42034094321	-	03/04/1447H (corresponding to 25/09/2025G)
3.	Building Construction Company Limited - Rawabi district- Al-Khobar	42055092721	-	25/08/1447H (corresponding to 13/02/2026G)
4.	Tadbeir Company Limited Rawabi district- Al-Khobar	42075248026	-	12/07/1445H (corresponding to 24/01/2024G)
5.	Tadbeir Real Estate Company AlYasmin district - Al-Khobar	39066886	-	19/06/1443H (corresponding to 22/01/2022G)
6.	Nesaj Urban Development Company Rawabi district- Al-Khobar	42085481173	-	12/10/1443H (corresponding to 13/05/2022G)
7.	Nesaj Urban Development Company Northern Al-Khobar district- Al-Khobar	40031807726	03/03/1440H (corresponding to 11/11/2018G)	03/03/1444H (corresponding to 29/09/2022G)
8.	Tadbeir Company Limited AlHazm district- Riyadh	43037824334	-	06/04/1444H (corresponding to 31/10/2022G)
9.	Remal AlKhobar Real Estate Company Rawabi district- Al-Khobar	43069145234	-	27/06/1448H (corresponding to 07/12/2026G

Source: the Company

Table (12-5): Details of Civil Defense Permits Obtained by the Company and its Subsidiaries

No	Name of Branch and Location	Permit Number	Issuance Date	Expiry Date
1.	Retal Urban Development Company - Rawabi district- Al-Khobar	1-000639529-42	13/05/1442H (corresponding to 28/12/2020G)	13/05/1443H (corresponding to 17/12/2021G)
2.	Retal Urban Development Company - AlYasmin district - Riyadh	2-000616950-43	02/04/1443H (corresponding to 07/11/2021G)	02/04/1444H (corresponding to 27/10/2022G)
3.	Building Construction Company Limited - Rawabi district- Al-Khobar	1-000662900-42	25/08/1442H (corresponding to 07/04/2021G)	25/08/1443H (corresponding to 28/03/2022G)
4.	Tadbeir Real Estate Company Rawabi district- Al-Khobar	1-000689202-42	12/07/1442H (corresponding to 24/02/2021G)	12/07/1443H (corresponding to 13/02/2022G)
5.	Nesaj Urban Development Company - Rawabi district- Al-Khobar	1-000723826-42	12/10/1442H (corresponding to 24/05/2021G)	12/10/1443H (corresponding to 13/05/2022G)
6.	Tadbeir Real Estate Limited Company - Rawabi district- Al-Khobar	1-000741218-42	19/12/1442H (corresponding to 29/07/2021G)	19/12/1443H (corresponding to 18/07/2022G)
7.	Tadbeir Limited Company- Rawabi district- Al-Khobar	1-000813188-43	06/04/1443H (corresponding to 11/11/2021G)	06/04/1444H (corresponding to 31/10/2022G)
8.	Remal AlKhobar Real Estate Company – Rawabi district – Al-Khobar	1-000859090-43	27/06/1443H (corresponding to 30/01/2022G)	27/06/1444H (corresponding to 20/01/2023G)

Source: the Company

Table (12-6): List of Chambers of Commerce Membership Certificates Obtained by the Company and its Subsidiaries

No.	Name and Location of Branch	C.R. Number	Issuance Date	Expiration Date
1.	Retal Urban Development Company - Al-Khobar	153255	07/04/2021G	25/08/2022G
2.	Building Construction Company Limited - Al-Khobar	1130	26/04/2021G	25/10/2023G
3.	Tadbeir Limited Company - Al-Khobar	164993	07/04/2021G	08/08/2022G
4.	Nesaj Real Estate Development - Al-Khobar	157852	07/04/2021G	17/04/2022G
5.	Tadbeir Real Estate Company – Al-Khobar	241642	06/04/1438H (corresponding to 04/01/2017G)	05/04/1445H (corresponding to 20/10/2023G)

Source: the Company

12.6 Material Agreements

The Company has entered into twenty-seven (27) material agreements with multiple parties. This section sets out summaries of agreements and contracts which may, in the best knowledge of the Board, be material and significant with respect to the Company's business or which may impact the investors' decision to subscribe for the Offer Shares. The summaries of agreements and contracts contained hereinafter does not include all terms and conditions and cannot be considered a substitute for the terms and conditions of these agreements. The summary of the terms and conditions of agreements and contracts contained hereinafter does not include the value of seven agreements due to their sensitive and confidential nature, the publication of which may affect the Company's competitiveness.

As of 30 September 2021G, the total value of all material agreements that were disclosed in this section equates to SAR 165,911,305, representing 1.4 times the total value of the Company's assets and 3.8 times of the net assets.

12.6.1 Project Agreements

12.6.1.1 Nesaj Town 2 (Dammam)

Table (12-7): Nesaj Town 2 Project Agreement (Dammam), dated 05/05/1441H (corresponding to 31/12/2019G) (amended on 10/09/1441H (corresponding to 03/05/2020G), and on 17/02/1442H (corresponding to 04/10/2020G))

Owner:	MoMRAH
Developer:	Retal Urban Development Company.
Project Description:	Development and sale of 1,653 residential units by the Developer, on land owned by the Owner.
Contract Value:	To be sold by the Developer at a fixed price per 1 SQM.
Works Commencement Date:	18/05/1441H (corresponding to 13/01/2020G).
Works Completion Date:	29/10/1443H (corresponding to 30/05/2022G).
Fines/Delay Fines Provisions:	There are no penalties payable to the Owner for delay in achieving the Works Completion Date.
Warranties:	The Developer required to offer purchasers the following warranties under the Sale Contracts: • The defects liability period relating to the foundation and concrete works shall not be less than ten (10) years from the date of handing over the residential unit. • The warranty period relating to the mechanical, electrical and other contractors' works shall not be less than one (1) year from the date of handing over the residential unit
Payments:	The Developer is required to pay the Land Value to the Owner in installments upon the completion of certain milestones.
Governing Law:	Saudi law.
Governing Language:	Arabic.

Termination:	The Owner may terminate the Development Agreement in the following cases: • The Developer fails to start excavation work within sixty (60) days from the date it receives notice form the Owner to start the works. • The Developer has provided materially inaccurate or misleading information in relation to the Development Agreement. • The Developer becomes bankrupt or insolvent and becomes unable to carry out his obligations in the Development Agreement. • The Developer breaches any of its obligations stated in the Development Agreement and the breach is not capable of remedy, or if the Developer was unable to remedy the breach within fifteen (15) days of receiving a written notification from the Owner regarding the beach if it is a continuous breach. There are no termination rights for the Developer specified in the Development Agreement.
Disputes:	In the event of a dispute, the parties shall attempt to resolve it amicably within thirty (30) days from the date it arose. If this is not possible, the dispute shall be referred to the competent judicial authorities.
Assignment:	The Owner has the right to assign its rights and obligations under the Development Agreement without the consent of the Developer. Subject to the written approval of the Owner, the Developer may assign or subcontract his rights and obligations under the Development Agreement.
Other Key Provisions:	1- The Developer is only allowed to sell the residential units in the project to the beneficiaries of the Government's housing support program or their financiers. 2- The title deed of the project land is under the ownership of the MoMRAH and the Developer will be responsible of subdividing the title deed and issuing 1,653 title deeds. 3- In the event the off-plan sale payments were insufficient to complete the development of the project, the Sub-Developer will be obliged to take all necessary arrangements to complete the project before the works completion date. 4- The Developer has certain operation and maintenance obligations in relation to the residential units. 5- The MoMRAH has the right to represent the claims of purchasers under the residential unit's Sale Contracts. 6- The first payment of the residential unit sale price will not exceed 20% of the overall sale price. 7- The remedy period given to the purchaser for delaying in one of the payments shall not be less than sixty (60) days.

Source: the Company

Table (12-8): Contracting and Construction Contract for Nesaj Town 2 Project (Dammam), dated 07/08/1441H (corresponding to 31/03/2020G).

Developer:	Retal Urban Development Company.
Contractor:	Building Construction Company Limited.
Project Description:	The Developer has entered into a Development Agreement with the MoMRAH to develop 1,653 residential units on a plot of land owned by the MoMRAH and requires the services of the Contractor to execute the development project.
Contract Value:	SAR 751,673,000
Works Commencement Date:	15/10/1441H (corresponding to 15/06/2020G).
Works Completion Date:	Twenty (20) months as of the Works Commencement Date.
Contract Extension:	In the event that the work is delayed for a reason attributed to the Developer or due to the project site not being ready the contract term will be extended by the period of delay.

Fines/Delay Fines Provisions:	The Contractor shall be charged with the following fines: 1- A daily fine of SAR 500 in case the Contractor fails to submit the Project Schedule within two (2) weeks as of the Works Commencement Date. 2- A daily fine of SAR 100-500 in case the Contractor fails to comply with safety rules. 3- A daily fine of SAR 200-600 if specified personnel are absent from the works. In case of any delay by the Contractor to deliver the Works within the approved schedule, the Contractor shall pay a fine as follows: • Week 1: 0.05% of the delayed work amount. • Week 2: 0.10% of the delayed work amount. • Week 3: 0.15% of the delayed work amount. • Week 4: 0.20% of the delayed work amount. • Week 5: 0.25% of the delayed work amount. • Week 6 and the following weeks: 0.30% of the delayed work amount.
Warranties:	The following Warranties shall apply as of the Final Handover date: 1- Fifteen (15) years for foundation work. 2- Ten (10) years for insulation work. 3- One (1) year for finishing works. 4- One (1) year for all electrical, and plumbing works, and another warranty year from the agent. 5- One (1) year for aluminum, wood works and automatic doors.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Remedies for slow or late completion:	In the event the Contractor fails to comply with the project timeline, the Developer has the following remedies: 1- Issue a notice to the Contractor giving seven (7) days to meet the timeline, failing of which the Developer may appoint another contractor to complete the relevant works instead of, or together with, the Contractor. 2- If the Contractor is late in completing the works, the Developer may claim delay penalties (as referred to above).
Termination:	The Contract may be terminated in the following cases: 1- Mutual agreement of the parties. 2- The Contactor delays commencement of the works, is slow in performing the works or stops the works completely. 3- There is a delay of 20% or more to the relevant timeline. 4- The Contractor demonstrates poor performance or work quality, or fails to follow the instructions of the Developer. 5- The Contractor breaches any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such breach within seven (7) days of receiving a notice form the Developer. 6- In the event the project is canceled or suspended by the Developer or by an order of a Judicial or official authority. In the event that the Contract is terminated by the Developer due to the Contractor's default, the Developer will have the right to appoint another contractor to complete the works at the cost of the Contractor.
Disputes:	In the event of a dispute, the parties shall attempt to resolve it amicably within seven (7) days from the date it arose, If this is not possible, it shall be referred to the competent judicial authorities in the city of Al-Khobar.

Assignment and Sub-Contracting:	The Contractor shall not assign the Contractor or subcontract any part of the works without first notifying the Developer. The Contractor shall be liable for all actions of subcontractors as though they were the actions of the Contractor. The Developer has the right to require the Contractor to remove any subcontractor who is unfit to perform the works without giving reasons for that action, and the Contractor will replace any such subcontractor with another subcontractor that is approved by the Developer within seven (7) days. On 24/10/1441H (corresponding to 16/06/2020G), the Contractor subcontracted part of the construction works for 232 units in the project to Fanar Al-Arabiya International Company and 367 units in the project to Distinct Architecture Company on the same terms as the main construction contract signed between the Developer and the Contractor.
Payment:	The Developer is required to pay the Contract Value to the Contractor in installments upon the completion of certain milestones.
Design Liability:	The Contractor shall review all the design and technical reports for the project and inform the Developer of any errors. If, after completing part of the works, any defect is found in the designs which results in damage to the Developer, the Contractor shall be responsible for the resulting effects and the Developer shall be responsible for the cost and time to rectify the error in the technical plans.
Other Key Provisions:	Works completion will be in two phases: 1- Preliminary handover after the execution of all the works in the Contract in accordance with the specifications, free from any defects and emptying the site of contractor equipment; and 2- Final handover will be one year from the preliminary handover (being the end of the defect declaration period during which all defects must be rectified at the Contractor's cost).

Source: the Company

Table (12-9): Nesaj Town 2 Project Management Agreement (Dammam), dated 07/08/1441H (corresponding to 31/03/2020G)

Developer:	Retal Urban Development Company.
Project Manager:	Nesaj Urban Development Company.
Project Description:	Provision of project management services for the Nesaj Town 2 Project in Dammam.
Contract Value:	SAR 35,000,000 (for the duration of the project 20 months) plus a percentage of the Contract value to be determined by the Developer at the end of the project, depending on performance.
Services Commencement Date:	23/10/1441H (corresponding to 15/06/2020G).
Services Completion Date:	Twenty (20) months after the Services Commencement Date (services will be extended if construction is delayed).
Terms of Penalties / Delay penalties	Penalty of 1% of the value of the Contract for each week of delay caused by the Project Manager which results delaying the handover of the residential units. The total penalties shall not exceed 10% of the Contract value.
Warranties:	The Project Manager shall be liable for any defects resulting from errors in the delivery of works completed under its management, for a period of ten (10) years from the date of the final handover.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Project Management Agreement may be terminated in the following cases: 1- If the Contactor delayed the commencement of the works, was slow in performing the works or stopped the works completely, affecting the timely delivery of the works. 2- In the event the Project Manger violates any of the terms of the Project Management Agreement or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. In the case of termination on the above grounds, the Developer may appoint a new company to perform the Project Manager's services, at the cost of the Project Manager.

Disputes:	In the event of a dispute cannot be resolved amicably in seven (7) days from the date it occurred, it shall be referred to the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Payment:	The Developer is required to pay a lump sum to the Project Manager in installments upon the completion of certain milestones.
Design Liability:	The Project Manager shall review all the design and technical reports and inform the Developer of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Developer, the Project Manager shall be responsible for the resulting damages.

Source: the Company

Table (12-10): Engineering Supervision Agreement for Nesaj Town 2 Project (Dammam), dated 03/06/1441H (corresponding to 28/01/2020G)

Developer:	Retal Urban Development Company.
Engineering Supervisor:	Office of Ahmed Al-Mousa for Engineering Consultants.
Project Description:	Provision of engineering supervision services for the Nesaj Town 2 Project, Dammam.
Contract Value:	SAR 6,282,000 (based on providing services for 24 months).
Services Commencement Date:	23/10/1441H (corresponding to 15/06/2020G).
Services Completion Date:	The services are to continue until project completion.
Fines/Delay Fines Provisions:	The Engineering Supervisor shall not be paid during any period of delay to the project for which the Engineering Supervisor was responsible.
Warranties:	The Engineering Supervisor shall be liable for any mistake in Works completed under its supervision and for any mistake resulting from the implementation of designs reviewed thereby.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Engineering Supervision Agreement may be terminated in the following cases: 1- If the Engineering Supervisor delayed the commencement of the services, was slow in performing the services or stopped the services completely. 2- In the event the Engineering Supervisor violates any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. 3- Any other reason is at the discretion of the MoMRAH's or the Off-Plan Sales Committee. In the case of termination on the above grounds the Developer may appoint a new company to perform the Engineering Supervisor services at the cost of the Engineering Supervisor.
Disputes:	In the event a dispute cannot be resolved amicably within seven (7) days from the date it occurred, it shall be referred to the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment and Sub-Contracting:	After receiving the written approval from the Developer, the Engineering Supervisor will have the right to assign or subcontract his rights and obligations under the Engineering Supervision Agreement.
Payments:	Developer is to pay the Engineering Supervisor the value of monthly works within twenty-one (21) days from approval of the monthly invoice by the Developer's Project Manager.
Design Liability:	The Engineering Supervisor shall review all the design and technical reports and inform the Developer of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Developer, the Engineering Supervisor shall be responsible for the resulting damages.
Other Key Provisions:	1- In the event the project period is extended by the Developer, the payments to the Engineering Supervisor will continue to be paid as usual, provided the total project duration is not exceeded by more than 20%. 2- In the event that there was a delay in the project duration caused by the Engineering Supervisor, the Engineering Supervisor will not be entitled to payment for the delay period.

Source: the Company

12.6.1.2 Nesaj Town, Riyadh

Table (12-11): Sub-Development Agreement for Nesaj Town (Riyadh), dated 22/12/1441H (corresponding to 12/08/2020G), amended on 27/01/1442H (corresponding to 15/09/2020G)

Main Developer:	The National Housing Company (NHC).
Sub-Developer:	Retal Urban Development Company.
Project Description:	The Sub-Developer shall construct, market and sell 690 residential units on a 189,137.70 sqm plot of land owned by the MoMRAH (referred to as the sub-project land). The Sub-Development Agreement is a subcontract to the Main Development Agreement between the Main Developer and the MoMRAH.
Contract Value:	To be sold by the Developer at a fixed price per 1 SQM.
Works Commencement Date:	On the site handover date set forth in the handover minutes to be signed by the parties within a period not exceeding six (6) months from the date of the Sub-Development Agreement.
Works Completion Date:	The Sub-Development Agreement provides that the expiry date of the Sub-Development Agreement shall be on the date occurring forty two (42) months from the date the Sub-Development Agreement is signed (Company to confirm the Works Completion Date).
Contract Extension:	Not specified in the agreement.
Fines/Delay Fines Provisions:	1- In the event the Sub-Developer has failed to sell the residential units (off-plan) and has failed to complete the works by the Works Completion Date as specified in accordance with the Sub-Development Agreement and in terms of the residential units sold to the Main Developer (off-plan), a delay penalty shall apply on the Sub-Developer (as assessed in accordance with Wafi rules) and payable to the Main Developer. 2- In the event of a delay in handing over a residential unit to purchaser of up to one (1) year beyond the date specified in the Sale Contract, the purchaser will be entitled to receive a penalty from the Developer not exceeding 7% of the value of the residential unit sold. In the event the Sub-Developer delays the handing over of the residential unit by more than one (1) year then the delay penalty shall not be limited to a percentage amount and shall be subject to and calculated in accordance with the market value.
Warranties:	The Sub-Developer is required to provide the Buyers with the following guarantees as stipulated in the sales contracts: 1- The defects liability period relating to the foundation and concrete works shall not be less than ten (10) years from the date of handing over the residential unit to the purchasers. 2- The warranty period relating to the mechanical, electrical and other contractors' works shall not be less than one (1) year from the date of handing over the residential unit to the purchasers.
Bank Guarantee:	1- The Sub-Developer will issue a Bank Guarantee to the Main Developer with an amount of (SAR 52,621,021.04), which is an amount equivalent to 10% of the projected total amount of the project. 2- The Main Developer will release the Bank Guarantee upon request from the Sub-Developer when the completion percentage in the project is 10%. 3- The Main Developer may enforce the Bank Guarantee if the completion percentage in the project is less than 10% nine (9) months from the date of handing over the project site.
Governing Law:	Saudi law.
Governing Language:	Arabic.

Termination:	The Main Developer may terminate the Sub-Development Agreement in the following cases: 1- If the Sub-Developer fails to start excavation works within sixty (60) days from the date of receiving notice from the Owner to start the Works. 2- If it is established that the Sub-Developer has provided materially inaccurate or misleading information in relation to the Sub-Development Agreement. 3- If the Sub-Developer becomes bankrupt or insolvent and is unable to carry out his obligations in the Sub-Development Agreement. 4- If the Sub-Developer breaches any of its obligations under the Sub-Development Agreement and has not rectified or is unable to rectify such breach within a period of fifteen (15) days from receiving written notification of such breach.
Disputes:	In the event of a dispute, the parties shall first attempt to resolve it amicably in thirty (30) days from the date it occurred. If this is not possible, it shall be referred to and finally settled by the competent judicial authorities. in the Kingdom of Saudi Arabia.
Assignment:	The Main Developer has the right to assign his rights and obligations under the Sub-Development Agreement without the need for any consent from the Sub-Developer. After receiving the written approval from the Main Developer, the Sub-Developer will have the right to assign or subcontract his rights and obligations under the Sub-Development Agreement.
Operating and Maintenance:	The Sub-Developer will be obliged to perform operation and maintenance work on the residential units until handing over the residential units to the purchasers or until the expiry of the operation and maintenance obligation stated in the Sales Contracts.
Payments:	The Sub-Developer is required to pay the Land Value to the Main Developer in installments upon the completion of certain milestones.
Other Key Provisions:	1- The Sub-Developer is only allowed to sell the residential units in the project to the beneficiaries of the housing support program or their financiers. 2- The title deed of the project land is under the ownership of the MoMRAH and the Sub-Developer will be responsible of subdividing the title deed and issuing 690 title deeds which equals the number of residential units in the project. 3- In the event the off-plan sale payments were insufficient to complete the development of the project, the Sub-Developer will be obliged to take all necessary arrangements to complete the project before the works completion date. 4- The MoMRAH has the right to represent the claims of buyers under the residential unit's sales contracts. 5- The remedy period given to a purchaser if he delays in one of the payments shall not be less than sixty (60) days.

Source: the Company

Table (12-12): Contracting and Construction Contract for Nesaj Town Riyadh Project, dated 27/09/1442H (corresponding to 09/05/2021G)

Developer:	Retal Urban Development Company.
Contractor:	Building Construction Company Limited
Project Description:	The Developer has entered into a Development Agreement with the National Housing Company to develop 690 residential units on a plot of land owned by the MoMRAH and requires the Contractor's Services to implement the Development Project.
Contract Value:	SAR 340,000,000
Works Commencement Date:	On the site handover date set forth in the handover minutes signed by the parties (actual date to be identified on review of handover minutes).
Works Completion Date:	Eighteen (18) months as of the Works Commencement Date.
Contract Extension:	In the event that the work is delayed for a reason attributed to the Developer or due to the project site not being ready, the contract term will be extended by the period of delay.

Fines/Delay Fines Provisions:	The Contractor shall be charged with the following fines: 1- A daily fine of SAR 500 in case the Contractor fails to submit the Project Schedule within two (2) weeks as of the Works Commencement Date. 2- A daily fine of SAR 100-500 in case the Contractor fails to comply with safety rules. 3- A daily fine of SAR 200-600 if specified personnel are absent from the works. In case of any delay in Works delivery beyond the approved schedule, the Contractor shall pay a fine as follows: • Week 1: 0.05% of the delayed work amount. • Week 2: 0.10% of the delayed work amount. • Week 3: 0.15% of the delayed work amount. • Week 4: 0.20% of the delayed work amount. • Week 5: 0.25% of the delayed work amount. • Week 6 and the following weeks: 0.30% of the delayed work amount.
Warranties:	The following Warranties shall be applied as of the Final Handover Date: 1- Ten (10) years on the foundation work (structure). 2- Ten (10) years on insulation works. 3- One (1) year on finishing works. 4- One (1) year for all electrical and plumbing works, and another warranty year from the Agent. 5- One (1) year for aluminum, timber and automatic doors.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Remedies for slow or late completion:	In the event the Contractor fails to comply with the project timeline, the Developer has the following remedies: 1- Issue a notice to the Contractor giving seven (7) days to meet the timeline, failing which the Developer may appoint another contractor to complete the relevant works instead of, or together with, the Contractor. 2- If the Contractor is late in completing the works, the Developer may claim delay penalties (as referred to above).
Termination:	The Contract may be terminated in the following cases: 1- Mutual agreement of the parties. 2- If the Contractor delays the commencement of the Works, is slow in performing the works or stops the works completely. 3- There is a delay of 20% or more to the relevant timeline. 4- The Contractor demonstrates poor performance or work quality, or fails to follow the instructions of the Developer. 5- The Contractor breaches any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such breach within seven (7) days of receiving a notice form the Developer. 6- In the event the project is canceled or suspended by the Developer or by an order of a Judicial or official authority. In the event that the Contract is terminated by the Developer due to the Contractor's default, the Developer will have the right to appoint another contractor to complete the works at the cost of the Contractor.
Disputes:	In the event of a dispute, the parties shall attempt to resolve it amicably within seven (7) days from the date it arose, If this is not possible, it shall be referred to the competent judicial authorities in the city of Al-Khobar

Assignment and Sub-Contracting:	The Contractor shall not assign the Contract or any part of the works without the written approval from the Owner. The Contractor shall not subcontract any part of the works without first notifying the Owner. The Contractor shall be liable for all actions of subcontractors as though they were the actions of the Contractor. The Developer has the right to require the Contractor to remove any subcontractor who is unfit to perform the works without giving reasons for that action, and the Contractor will replace any such subcontractor with another subcontractor that is approved by the Developer within seven (7) days.
Payment:	The Developer is required to pay the Contract Value to the Contractor in installments upon the completion of certain milestones.
Design Liability:	The Contractor shall review all the design and technical reports for the project and inform the Developer of any errors. If, after completing part of the works, any defect is found in the designs which results in damage to the Developer, the Contractor shall be responsible for the resulting effects and the Developer shall be responsible for the cost and time to rectify the error in the technical plans.
Other Key Provisions:	Works completion will be in two phases: • Preliminary handover after the execution of all the works in the Contract in accordance with the specifications and free from any defects and emptying the site of contractor equipment; and • Final handover will be one (1) year from the preliminary handover (being the end of the defect declaration period during which all defects must be rectified at the Contractor's cost).

Source: the Company

Table (12-13): Engineering Supervision Agreement for Nesaj Town Riyadh Project, dated 14/11/1441H (corresponding to 05/07/2020G)

Developer:	Retal Urban Development Company.
Engineering Supervisor:	Office of Ahmed Al-Mousa for Engineering Consultants.
Project Description:	Provision of engineering supervision services for the Nesaj Town (Riyadh) Project.
Contract Value:	SAR 4,470,000 (based on providing services for 24 months).
Services Commencement Date:	As of the date of signing the Works Commencement Minutes (Work Commencement Minutes are not yet available).
Services Completion Date:	Services shall be ongoing up until the completion of the Project.
Contract Extension:	N/A
Fines/Delay Fines Provisions:	The Engineering Supervisor shall not be paid during any delay for which the Engineering Supervisor is held responsible.
Warranties:	The Engineering Supervisor will be liable for any errors in works that were completed under its supervision and for any error resulting from implementing the designs reviewed by him.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Engineering Supervision Agreement may be terminated in the following cases: 1- If the Engineering Supervisor delayed the commencement of the services, was slow in performing the services or stopped the services completely. 2- In the event the Engineering Supervisor violates any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. 3- Any other reason is at the discretion of the MoMRAH's or the Off-plan Sales Committee's discretion. In the case of termination on the above grounds, the Developer may appoint a new company to perform the Engineering Supervisor services at the cost of the Engineering Supervisor.

Disputes:	In the event of a dispute cannot be resolved amicably within seven (7) days from the date it occurred, it shall be referred to and finally settled by the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment and Sub-Contracting:	After receiving the written approval from the Developer, the Engineering Supervisor will have the right to assign or subcontract his rights and obligations under the Engineering Supervision Agreement.
Payments:	The Developer is required to pay monthly services to the Engineering Supervisor in installments upon the completion of certain milestones.
Design Liability:	The Engineering Supervisor shall review all the design and technical reports and inform the Developer of any errors. If, after completing part of the works, an error is found in the designs, which resulted in damage to the Developer, the Engineering Supervisor shall be responsible for the resulting damages.
Other Key Provisions:	1- In the event the project period is extended by the Developer, the payments to the Engineering Supervisor will continue to be paid as usual, provided the total project duration is not exceeded by more than 20%. 2- In the event that there was a delay in the project duration caused by the Engineering Supervisor, the Engineering Supervisor will not be entitled to payment for the delay period.

Source: the Company

12.6.1.3 Ayala Al-Nakheel Project

Table (12-14): Partnership Agreement for Ayala Al-Nakheel Project, dated 23/09/1442H (corresponding to 05/05/2021G)

First Party:	MoMRAH
Second Party:	Retal Urban Development Company (Developer).
Project Description:	The Developer shall develop 59 residential units on a plot of land, which the Developer owns and intends to sell it the beneficiaries of the Government's housing support program or their financiers and through MoMRAH.
Contract Value:	The First Party shall receive SAR 1,000 for each unit sold through the portal.
Commencement Date:	23/09/1442H (corresponding to 05/05/2021G)
Works Completion Date:	Twenty-four (24) months from the Agreement signing date, the Agreement will continue to be valid until the execution of all the sale contracts signed based on it.
Fines/Delay Fines Provisions:	All fines specified in the off-plan regulations and sales contracts shall apply, when required.
Guarantees:	N/A
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The First Party may terminate the Partnership Agreement in the following cases: 1- In the event, the percentage of sale in the project is less than 30% in the first six (6) months from signing the Agreement. 2- If it is established that the Developer has provided materially inaccurate or misleading information in relation to the Agreement or the project. 3- The Developer becomes bankrupt or insolvent and becomes unable to carry out his obligations in the Agreement. 4- The Developer violates any of his obligations stated in the Agreement and the violation is not rectifiable, or if the Developer was unable to correct that violation within fifteen (15) days from the date of receiving a written notification from the Owner regarding the violation if it is a continuous violation. There are no termination rights for the Developer specified in the Development Agreement.
Disputes:	In the event of a dispute, it shall first be resolved amicably in thirty (30) days from the date it occurred, If this is not possible, it shall be referred to the competent judicial authorities.

Assignment:	The First Party has the right to assign his rights and obligations under the Agreement without the need to any consent form the Developer. After receiving the written approval from the First Party, the Developer will have the right to assign or subcontract his rights and obligations under the Agreement.
Other Key Provisions:	1- The Developer is allowed to sell the residential units in the project to the beneficiaries of the Government's housing support program or their financiers and to the non-beneficiaries of the Government housing support program. 2- The title deed of the project land is under the ownership of the Developer and the Developer will be responsible of subdividing the title deed and issuing 59 title deeds. 3- The First Party has the right to represent the claims of purchasers under the residential unit's Sale Contracts. 4- In the event the off-plan sale payments were insufficient to complete the development of the project, the Developer will be obliged to take all necessary arrangements to complete the project before the works completion date. 5- The First Party obligation in providing his platforms to the Developer will continue until all the residential units are sold.

Source: the Company

Table (12-15): Contracting and Construction Contract for Ayala Al-Nakheel Project, dated 21/10/1442H (corresponding to 02/06/2021G)

Developer:	Retal Urban Development Company.
Contractor:	Building Construction Company Limited
Project Description:	The Developer will develop 59 residential units on a plot of land he owns and requires the services of the Contractor to execute the development project.
Contract Value:	SAR 83,570,000
Works Commencement Date:	11/06/1442H (corresponding to 24/01/2021G)
Works Completion Date:	Eighteen (18) months as of the Works Commencement Date.
Contract Extension:	In the event that the work is delayed for a reason attributed to the Developer or due to the project site not being ready, the contract term will be extended by the period of delay.
Fines/Delay Fines Provisions:	The Contractor shall be charged with the following fines: 1- A daily fine of SAR 500 for failing to submit project timeline two (2) weeks from the Works Commencement Date. 2- A daily fine of SAR 100-500 for failing to comply with safety rules. 3- A daily fine of SAR 200-600 if specified personnel are absent from the works. In case of any delay in Works delivery beyond the approved schedule, the Contractor shall pay a fine as follows: • Week 1: 0.05% of the delayed work amount. • Week 2: 0.10% of the delayed work amount. • Week 3: 0.15% of the delayed work amount. • Week 4: 0.20% of the delayed work amount. • Week 5: 0.25% of the delayed work amount. • Week 6 and the following weeks: 0.30% of the delayed work amount.
Warranties:	The following Warranties shall apply as of the Final Handover Date: 1- Ten (10) years on foundation works (structure). 2- Ten (10) years on insulation work. 3- One (1) year on finishing Works. 4- One (1) year for all electrical and plumbing works, and another warranty year from the Agent. 5- One (1) year for aluminum, wood works and automatic doors.
Governing Law:	Saudi law.
Governing Language:	Arabic.

Remedies for slow or late completion:	In the event that the Contractor fails to abide by the Project Schedule, the Developer may take the following actions: 1- Issue a notice to the Contractor giving seven (7) days to meet the timeline, failing which the Developer may appoint another contractor to complete the relevant works instead of, or together with, the Contractor. 2- If the Contractor is late in completing the works, the Developer may claim delay penalties (as referred to above).
Termination:	The Contract may be terminated in the following cases: • Mutual agreement of the parties. • The Contactor delays commencement of the works is slow in performing the works or stops the works completely. • There is a delay of 20% or more to the relevant timeline. • The Contractor demonstrates poor performance or work quality, or fails to follow the instructions of the Developer. • The Contractor breaches any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such breach within seven (7) days of receiving a notice form the Developer. • In the event the project is cancelled or suspended by the Developer or by an order of a Judicial or official authority. In the event that the Contract is terminated by the Developer due to the Contractor's default, the Developer will have the right to appoint another contractor to complete the works at the cost of the Contractor.
Disputes:	In the event of a dispute, the parties shall attempt to resolve it amicably within seven (7) days from the date it arose, If this is not possible, it shall be referred to the competent judicial authorities in the city of Al-Khobar.
Assignment and Sub-Contracting:	The Contractor shall not assign the Contract or any part of the works without the written approval from the Developer. The Contractor shall not subcontract any part of the works without first notifying the Developer. The Contractor shall be liable for all actions of subcontractors as thought they were the actions of the Contractor. The Developer has the right to require the Contractor to remove any subcontractor who is unfit to perform the works without giving reasons for that action, and the Contractor will replace any such subcontractor with another subcontractor that is approved by the Developer within seven (7) days. On 21/10/1442H (corresponding to 02/06/2021G), subcontracted part of the construction works for 56 units in the project to Distinct Architecture Company on the same terms as the main construction contract signed between the Developer and the Contractor.
Payment:	The Developer is required to pay the Contract Value to the Contractor in installments upon the completion of certain milestones.
Design Liability:	The Contractor shall review all designs and technical reports related to the Project, and shall inform the Developer of any mistakes therein. If, after the completion of any part of the Works, there is any mistakes in designs which would adversely affect the Developer, the Contractor shall remain liable for the consequences resulting therefrom while the Developer shall be liable for cost and time, as necessary to remedy the same.
Other Key Provisions:	Works completion will be in two phases: • Preliminary handover after the execution of all the works in the Contract in accordance with the specifications and free from any defects and emptying the site of contractor equipment; and • Final handover will be one (1) year from preliminary handover (being the end of the defect declaration period during which all defects must be rectified at the Contractor's cost).

Source: the Company

Table (12-16): Engineering Supervision Agreement for the Ayala Al-Nakheel Project, dated 27/04/1442H (corresponding to 12/12/2020G):

Owner:	Retal Urban Development Company.
Engineering Supervisor:	Office of Ahmed Al-Mousa for Engineering Consultants.
Project Description:	Provision of engineering supervision services for Ayala Nakheel project
Contract Value:	SAR 1,321,000
Services Commencement Date:	11/06/1442H (corresponding to 24 January 2021G)
Services Completion Date:	Twenty (20) months from the Services Commencement Date.
Contract Extension:	N/A
Fines/Delay Fines Provisions:	The Engineering Supervisor shall not be paid during any delay for which the Engineering Supervisor is held responsible.
Warranties:	The Engineering Supervisor shall be liable for any errors in works that were completed under its supervision and for any error resulting from implementation of the designs reviewed by it.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	Engineering Supervision Agreement can be terminated: 1- If the Engineering Supervisor delayed the commencement of the services, was slow in performing the services or stopped the works completely. 2- In the event the Engineering Supervisor violates any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. 3- The contract may only be terminated after the approval of the Off-Plan Sales Committee's discretion. In the case of termination on the above grounds, the Owner may appoint a new company to perform the Engineering Supervisor services at the cost of the Engineering Supervisor.
Disputes:	In the event a dispute cannot be resolved amicably within seven (7) days from the date it arose, it shall be referred to and finally settled by the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment and Sub-Contracting:	After receiving the written approval from the Owner, the Engineering Supervisor will have the right to assign or subcontract his rights and obligations under the Engineering Supervision Agreement.
Payments:	The Owner is required to pay the value of monthly works to the Engineering Supervisor in installments upon the completion of certain milestones.
Design Liability:	The Engineering Supervisor shall review all the design and technical reports and inform the Owner of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Owner, the Engineering Supervisor shall be responsible for the resulting damages.
Other Key Provisions:	1- In the event the project period is extended by the Owner, the payments to the Engineering Supervisor will continue to be paid as usual provided the total project duration does exceed by more than 20%. 2- In the event that there was a delay in the project duration caused by the Engineering Supervisor, the Engineering Supervisor will not be entitled to payment for the delay period.

Source: the Company

Table (12-17): Project Management Agreement for Ayala Al-Nakheel Project, dated 18/03/1442H (corresponding to 04/11/2020G)

Owner:	Retal Urban Development Company.
Project Manager:	Nesaj Urban Development Company.
Project Description:	Providing project management services for Ayala Nakheel Project.
Contract Value:	SAR 2,750,000
Services Commencement Date:	11/06/1442H (corresponding to 24/01/2021G).
Services Completion Date:	Twenty (20) months and fifteen (15) days after the Services Commencement Date (services will be extended if construction is delayed).
Fines/Delay Fines Provisions:	Penalty of 1% of the value of the Contract for each week of delay caused by the Project Manager which results delaying the handover of the residential units. The total penalties shall not exceed 10% of the Contract Value.
Warranties:	The Project Manager shall be liable for any defects resulting from errors in the delivery of works completed under its management, for a period of ten (10) years from the date of final handover.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Project Management Agreement can be terminated in the following cases: 1- If the Contactor delayed the commencement of the works, was slow in performing the works or stopped the works completely, affecting the timely delivery of the works. 2- In the event the Project Manger violates any of the terms of the Project Management Agreement or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. In the case of termination on the above grounds, the Owner may appoint a new company to perform the Project Manager's services, at the cost of the Project Manager.
Disputes:	In the event of a dispute cannot be resolved amicably in seven (7) days from the date it occurred, it shall be referred to and finally settled by the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment:	After receiving the written approval from the Owner, the Project Manager will have the right to assign or subcontract his rights and obligations under the Project Management Agreement.
Payment:	The Owner is required to pay a lump sum to the Project Manager in installments upon the completion of certain milestones.
Design Liability:	The Project Manager shall review all the design and technical reports and inform the Owner of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Owner, the Project Manager shall be responsible for the resulting damages.

Source: the Company

12.6.1.4 Nesaj Town Al-Khobar

Table (12-18): Contracting and Construction Contract for Nesaj Town Al-Khobar Project (Phase 2), dated 11/10/1442H (corresponding to 23/05/2021G)

Developer:	Retal Urban Development Company.
Contractor:	Building Construction Company Limited.
Project Description:	The Developer will develop 118 housing units on a plot of land owned by the Developer. The Developer requires thereunder the Contractor's Services to implement the Development Project.
Contract Value:	SAR 57,000.000
Works Commencement Date:	20/10/1442H (corresponding to 01/06/2021G)
Works Completion Date:	Eighteen (18) months as of the Works Commencement Date.

Contract Extension:	Should the work be delayed due to any reason from the Developer's end, or due to the unreadiness of the Project Site, the Contract Term shall be extended for a period equal to the period of time during which the delay has occurred.
Fines/Delay Fines Provisions:	The Contractor shall be charged with the following fines: 1- A daily fine of SAR 500 for failing to submit project timeline two (2) weeks from the Works Commencement Date. 2- A daily fine of SAR 100-500 for failing to comply with safety rules. 3- A daily fine of SAR 200-600 if specified personnel are absent from the works. In case of any delay in Works delivery beyond the approved schedule, the Contractor shall pay a fine as follows: • Week 1: 0.05% of the delayed work amount. • Week 2: 0.10% of the delayed work amount. • Week 3: 0.15% of the delayed work amount. • Week 4: 0.20% of the delayed work amount. • Week 5: 0.25% of the delayed work amount. • Week 6 and the following weeks: 0.30% of the delayed work amount.
Warranties:	The following Warranties shall apply as of the Final Handover date: 1- Ten (10) years on foundation works (structure). 2- Ten (10) years on insulation work. 3- One (1) year on finishing Works. 4- One (1) year for all electrical and plumbing works, and another warranty year from the Agent. 5- One (1) year for aluminum, wood works and automatic doors.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Remedies for slow or late completion:	In the event the Contractor fails to comply with the project timeline, the Developer has the following remedies: 1- Issue a notice to the Contractor giving seven (7) days to meet the timeline, failing which the Developer may appoint another contractor to complete the relevant works instead of, or together with, the Contractor. 2- If the Contractor is late in completing the works, the Developer may claim delay penalties (as referred to above).
Termination:	The Contract may be terminated in the following cases: • Mutual agreement of the parties. • The Contactor delays commencement of the works is slow in performing the works or stops the works completely. • There is a delay of 20% or more to the relevant timeline. • The Contractor demonstrates poor performance or work quality, or fails to follow the instructions of the Developer. • The Contractor breaches any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such breach within seven (7) days of receiving a notice form the Developer. • In the event the project is cancelled or suspended by the Developer or by an order of a Judicial or official authority. In the event that the Contract is terminated by the Developer due to the Contractor's default, the Developer will have the right to appoint another contractor to complete the works at the cost of the Contractor.
Disputes:	In the event of a dispute, the parties shall attempt to resolve it amicably within seven (7) days from the date it arose, If this is not possible, it shall be referred to the competent judicial authorities in the city of Al-Khobar.

Assignment and Sub-Contracting:	The Contractor shall not assign the Contract or any part of the works without the written approval from the Developer The Contractor shall not subcontract any part of the works without first notifying the Developer. The Contractor shall be liable for all actions of subcontractors as thought they were the actions of the Contractor. The Developer has the right to require the Contractor to remove any subcontractor who is unfit to perform the works without giving reasons for that action, and the Contractor will replace any such subcontractor with another subcontractor that is approved by the Developer within 7 days. On 11/10/1442H (corresponding to 23/05/2021G), the Contractor subcontracted to implement some contracting Works with for the Project with Fanar Arabian International Company to implement 118 housing units on the same terms as the main construction contract signed between the Developer and the Contractor.
Payment:	The Developer is required to pay the Contract Value to the Contractor in installments upon the completion of certain milestones.
Design Liability:	The Contractor shall review all the design and technical reports for the project and inform the Developer of any errors. If, after completing part of the works, any defect is found in the designs which results in damage to the Developer, the Contractor shall be responsible for the resulting effects and the Developer shall be responsible for the cost and time to rectify the error in the technical plans.
Other Key Provisions:	Works completion will be in two phases: • Preliminary handover after the execution of all the works in the Contract in accordance with the specifications and free from any defects and emptying the site of contractor equipment; and • Final Handover: one (1) year from preliminary handover (being the end of the defect declaration period during which all defects must be rectified at the Contractor's cost).

Source: the Company

Table (12-19): Project Management Agreement for Nesaj Town Al-Khobar Project, dated 16/03/1442H (corresponding to 02/11/2020G)

Owner:	Retal Urban Development Company.
Project Manager:	Nesaj Urban Development Company.
Project Description:	Providing Management Services for Nesaj Town Al-Khobar Project.
Contract Value:	SAR 382,500
Services Commencement Date:	20/10/1442H (corresponding to 01/06/2021G).
Services Completion Date:	Four (4) months and fifteen (15) days after the Services Commencement Date (services will be extended if construction is delayed).
Fines/Delay Fines Provisions:	Penalty of 1% of the value of the Contract for each week of delay caused by the Project Manager which results delaying the handover of the residential units. The total penalties shall not exceed 10% of the Contract Value.
Warranties:	The Project Manager shall be liable for any defects resulting from errors in the delivery of works completed under its management, for a period of 10 years from the date of final handover.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Project Management Agreement can be terminated in the following cases: 1- If the Contactor delayed the commencement of the works, was slow in performing the works or stopped the works completely, affecting the timely delivery of the works. 2- In the event the Project Manger violates any of the terms of the Project Management Agreement or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. In the case of termination on the above grounds, the Owner may appoint a new company to perform the Project Manager's services, at the cost of the Project Manager.

Disputes:	In the event of a dispute cannot be resolved amicably in seven (7) days from the date it occurred, it shall be referred to and finally settled by the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment:	After receiving the written approval from the Owner, the Project Manager will have the right to assign or subcontract his rights and obligations under the Project Management Agreement.
Payment:	The Owner is required to pay a lump sum to the Project Manager in installments upon the completion of certain milestones.
Design Liability:	The Project Manager shall review all the design and technical reports and inform the Owner of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Owner, the Project Manager shall be responsible for the resulting damages.

Source: the Company

Table (12-20): Engineering Supervision Contract for Nesaj Town Al-Khobar Project, dated 30/04/1442H (corresponding to 15/12/2020G)

Owner:	Retal Urban Development Company.
Engineering Supervisor:	Office of Ahmed Al-Mousa for Engineering Consultants.
Project Description:	Providing of engineering supervision services for the Nesaj Town Al Khobar.
Contract Value:	SAR 1,726,500 (based on the services provided for 24 months)
Services Commencement Date:	20/10/1442H (corresponding to 01/06/2021G).
Services Completion Date:	Services shall be ongoing up until the completion of the Project.
Fines/Delay Fines Provisions:	The Engineering Supervisor shall not be paid during any delay for which the Engineering Supervisor is held responsible.
Warranties:	The Engineering Supervisor will be liable for any errors in works that were completed under its supervision and for any error resulting from implementing the designs reviewed by him.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Engineering Supervision Contract may be terminated in the following cases: 1- If the Engineering Supervisor delayed the commencement of the services, was slow in performing the services or stopped the services completely. 2- In the event the Engineering Supervisor violates any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. 3- Any other reason at the discretion of the MoMRAH's or the Off-plan Sales Committee's. In the case of termination on the above grounds, the Owner may appoint a new company to perform the Engineering Supervisor services at the cost of the Engineering Supervisor.
Disputes:	In the event a dispute cannot be resolved amicably within seven (7) days from the date it occurred, it shall be referred to and finally settled by the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment and Sub-Contracting:	After receiving the written approval from the Owner, the Engineering Supervisor will have the right to assign or subcontract his rights and obligations under the Engineering Supervision Agreement.
Payments:	The Owner is required to pay the value of monthly works to the Engineering Supervisor in installments upon the completion of certain milestones.
Design Liability:	The Engineering Supervisor shall review all the design and technical reports and inform the Owner of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Owner, the Engineering Supervisor shall be responsible for the resulting damages.
Other Key Provisions:	1- In the event the project period is extended by the Owner, the payments to the Engineering Supervisor will continue to be paid as usual, provided the total project duration is not exceeded by more than 20%. 2- In the event that there was a delay in the project duration caused by the Engineering Supervisor, the Engineering Supervisor will not be entitled to payment for the delay period.

Source: the Company

Table (12-21): Partnership Agreement for Nesaj Town Al-Khobar Project, dated 17/11/1442H (corresponding to 27/06/2021G):

First Party:	MoMRAH.
Second Party:	Retal Urban Development Company (Developer).
Project Description:	The Developer shall develop 118 housing units on a plot of land owned by the Developer, which the Developer owns and intends to sell it the beneficiaries of the Government's housing support program or their financiers. and through the Owners sell centers.
Contract Value:	The First Party shall receive SAR 1000 for each unit sold through the portal.
Commencement Date:	17/11/1442H (corresponding to 27/06/2021G)
Works Completion Date:	Twenty-four (24) months from the Agreement signing date, the Agreement will continue to be valid until the execution of all the sale contracts signed based on it.
Fines/Delay Fines Provisions:	The penalties stated in the off-plan sell regulations and in the sale, contracts will apply when appropriate.
Performance Guarantee Provisions:	N/A
Warranties:	N/A
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The First Party may terminate the Partnership Agreement in the following cases: 1- In the event, the percentage of sale in the project is less than 30% in the first six (6) months from signing the Agreement. 2- If it is established that the Developer has provided materially inaccurate or misleading information in relation to the Agreement or the project. 3- The Developer becomes bankrupt or insolvent and becomes unable to carry out his obligations in the Agreement. 4- The Developer violates any of his obligations stated in the Agreement and the violation is not rectifiable, or if the Developer was unable to correct that violation within fifteen days from the date of receiving a written notification from the Owner regarding the violation if it is a continuous violation. There are no termination rights for the Developer specified in the Development Agreement.
Disputes:	In the event of a dispute, it shall first be resolved amicably in 30 days from the date it occurred, If this is not possible, it shall be referred to the competent judicial authorities.
Assignment:	The First Party has the right to assign his rights and obligations under the Agreement without the need to any consent form the Developer. After receiving the written approval from the First Party, the Developer will have the right to assign or subcontract his rights and obligations under the Agreement.
Other Key Provisions:	1- The Developer is only allowed to sell the residential units in the project to the beneficiaries of the Government's housing support program or their financiers. 2- The title deed of the project land is under the ownership of the Developer and the Developer will be responsible of subdividing the title deed and issuing 118 title deeds. 3- The First Party has the right to represent the claims of purchasers under the residential unit's Sale Contracts. 4- In the event the off-plan sale payments were insufficient to complete the development of the project, the Developer will be obliged to take all necessary arrangements to complete the project before the works completion date. 5- The First Party obligation in providing his platforms to the Developer will continue until all the residential units are sold.

Source: the Company

12.6.1.5 Retal Business Park - Riyadh

Table (12-22): Commitment Agreement for Sale with Business Park Fund, dated 14/01/1443H (corresponding to 22/08/2021G):

First Party:	Retal Urban Development Company.
Second Party:	Business Park Fund (under formation represented by the Fund Manager, BLOMINVEST Saudi Arabia).
Purpose:	Commitment by the First Party to sell a 33,579.36 sqm a plot of land with title deed numbers 396426002202, 796426002203 and 796426002239 to the Second Party in line with the terms and conditions of the agreement.
Contract Value:	A fixed price of SAR 149,290,673 payable in units and cash: • SAR 60,237,007.95 to be paid in units within the fund; • SAR 89,053,665.75 to be paid in cash, SAR 4,147,613.05 to be paid upon the agreement's execution and the remainder of the amount to be paid on 12 November 2021G.
Agreement Term:	N/A
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	Either Party may terminate this Agreement in the following cases: 1- The Second Party may terminate the Commitment Agreement if the land has any issues or pollutants in line with Article 7 of the Agreement. - The First Party must confirm and acknowledge that the land is free from any mortgages, seizures, or any disputes that hinder or delay the benefit of the Second Party. The First Party also acknowledges that there are no financial benefits related to the land for any public or private entity, and if after the sale of the land any mortgage, seizures, disputes or the stopping of disposal of the land or any right related to it to any other party appears, or if any claim of sum of money that is due and is related to the land for any public or private entity appears, the Second Party in this case has the right to terminate this contract and refund the purchase price and the resulting losses of the land from the First Party due to pollutants and problems from the First Party. 2- The First Party may terminate the Commitment Agreement if the Second Party breaches any of its obligations stated within the Commitment Agreement including its payment obligations.

Table (12-23): Preliminary Development Agreement with Retal Business Park, dated 24/08/2021G:

First Party:	Business Park Fund (under formation represented by the Fund Manager, BLOMINVEST Saudi Arabia).
Second Party:	Retal Urban Development Company.
Purpose:	The Second Party shall develop and supervise the development of the real estate project owned by the Fund. Said Project involves the construction of a 33,579 sqm complex of offices and other facilities, in accordance with the plans and designs proposed by both Parties.
Contract Value:	• The First Party shall pay the Second Party a development fee equivalent to an agreed percentage of the development cost. • Additionally, the First Party shall pay the Second Party a success fee equivalent to an agreed percentage of the net profits beyond a hurdle of a percentage of net profits achieved by the First Party.
Agreement Term:	24 months from the date of receipt of the first payment.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	N/A

Table (12-24): Joint Acquisition of Land with Retal Business Park Project, dated 07/01/1443H (corresponding to 15/08/2021G):

First Party:	Retal Urban Development Company.
Second Party:	BLOMINVEST Saudi Arabia.
Purpose:	The First Party and the Second Party purchased a plot of land under Title Deed No. 396426002202 for a total price of SAR 60,237,007 and each paid 50% thereof, so that the land serves as an in-kind contribution to the Business Park Fund in consideration for 60,000,000 units in the Business Park Fund (the Company accordingly owns 30,118.5 units).
Contract Value:	A fixed price of SAR 60,237,007.95 to be paid in consideration for investment units in Business Park Fund.
Agreement Term:	N/A
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	N/A

12.6.1.6 Nesaj Town Al-Ahsa

Table (12-25): Commitment to Purchase Real Estate Agreement for Nesaj Town Al-Ahsa, dated 23/01/1443H (corresponding to 31/08/2021G):

First Party:	Al Ahsa Real Estate Fund (represented by the Fund Manager, BLOMINVEST Saudi Arabia.)
Second Party:	Retal Urban Development Company.
Purpose:	The First Party plans to purchase a land plot from a third party and the Second Party commits to purchase a portion of the land (350,000 thousand sqm) on the basis that the Fund will grant the Second Party the exclusive right to develop and market the entire project, subject to signing a formal agreement.
Contract Value:	A fixed price of SAR 330,554,000 to be paid in two installments.
Agreement Term:	N/A
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Agreement may be terminated in the following cases: 1- The First Party may terminate the Commitment Agreement if the Second Party does not pay within the period of time agreed upon. 2- The Second Party may terminate the Commitment Agreement if the First Party breaches any of its obligations under the Commitment Agreement.

Table (12-26): Development Agreement for Nesaj Town Al-Ahsa, dated 02/02/1443H (corresponding to 09/09/2021G):

First Party:	Al Ahsa Real Estate Fund (represented by the Fund Manager, BLOMINVEST Saudi Arabia.)
Second Party:	Retal Urban Development Company.
Purpose:	The Second Party will develop and promote the Project owned by the First Party, comprising of residential and commercial lands with a total area of 395,573 thousand square meters.
Contract Value:	The Second Party shall have the exclusive right to market the project in cooperation with Innovest Properties for a period of 24 months. During the marketing period, the Second Party has the right to receive a 2.5% quest fee from purchasers.
Agreement Term:	The exclusive right to market and promote the Project, in cooperation with Innovest Properties, shall be limited to a period of 24 months.
Governing Law:	Saudi law.
Governing Language:	Arabic.

Termination:	The Agreement may be terminated in the following cases: 1- The First Party may terminate the Agreement if the Second Party does not pay the land instalments that it has committed to pay in line with the Commitment Agreement executed between the Parties on 23/01/1443H (corresponding to 31/08/2021G).

12.6.1.7 Retal Blue

Table (12-27): Development and Marketing Agreement with AlKhaleej AlArabi Resorts , dated 31/10/20221G:

First Party:	AlKhaleej AlArabi Resorts Fund (represented by the Fund Manager, BLOMINVEST Saudi Arabia.)
Second Party:	Retal Urban Development Company.
Purpose:	Initial commitment for the Second Party to develop and market a resorts project subject to the AlKhaleej AlArabi Resorts Fund being formed and the AlKhaleej AlArabi Resorts Fund purchasing the land for the project from the Second Party and Mohammed AlNahdi.
Contract Value:	• The First Party shall pay the Second Party a development fee equivalent to an agreed percentage of the development cost. • Additionally, the First Party shall pay the Second Party a success fee equivalent to an agreed percentage of the net profits.
Agreement Term:	The agreement commences upon its execution and expires on the liquidation of the AlKhaleej AlArabi Resorts Fund.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	N/A

Table (12-28): Commitment Agreement for Sale with AlKhaleej AlArabi Resorts, dated 31/10/2021G:

First Party:	Retal Urban Development Company.
Second Party:	Mohammed Bin Salmin Bin Mubarak Al Nahdi.
Third Party:	AlKhaleej AlArabi Resorts (represented by the Fund Manager, BLOMINVEST Saudi Arabia.)
Purpose:	The Third Party commits to the purchase of two plots of land (500,000 sqm) from the First and Second Party.
Contract Value:	Fixed purchase price (SAR 225,000,000) paid upon the transfer of the title.
Agreement Term:	N/A
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	N/A

12.6.1.8 Marasi Al-Khobar Project

Table (12-29): Construction Agreement of Marasi Al-Khobar Project, dated 05/05/1443H (corresponding to 09/12/2021G):

Developer:	Retal Urban Development Company.
Contractor:	Ansab General Contracting Est. (Ansab)
Project Description:	The Developer has entered into a development agreement with the owner to develop the plot of land owned by the owner under title deed number: 330128000654, and the Developer has engaged the Contractor to execute the backfilling, dredging and infrastructure works.
Contract Value:	SAR 147,699,625
Works Commencement Date:	The date of receiving the handover minutes from the Eastern Province Amana.
Works Completion Date:	Eighteen (18) months as of the Works Commencement Date.

Contract Extension:	In the event that the work is delayed for a reason attributed to the Developer or due to the project site not being ready the contract term will be extended by the period of delay.
Fines/Delay Fines Provisions:	The Contractor is subject to the following penalties: • SAR 100,000 paid on weekly basis for each week the Contractor delays the execution of works.
Warranties:	The following warranties apply as of the Final Handover date: • twelve (12) months as of the date of the handover minutes of the site regarding all Works.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Contract may be terminated in the following cases: • The Contactor delays commencement of the works, is slow in performing the works or stops the works completely. • The delay penalty reaches 5% of the Contract Value. • The Contractor becomes bankrupt and entered into liquidation process. • The Contractor breaches any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such breach within seven (7) days of receiving a notice form the Developer. • The Contractor assigned the project without the consent of the Developer.
Disputes:	In the event of a dispute, it shall be referred to the competent judicial authorities in the city of Al-Khobar.
Assignment and Sub-Contracting:	• The Contractor shall not assign the Contract, or subcontract any part of the works without first notifying the Developer. • The Contractor shall be liable for all actions of subcontractors as though they were the actions of the Contractor.
Payment:	The Developer is required to pay the Contract Value to the Contractor in installments upon the completion of certain milestones.
Design Liability:	The Contractor shall review all the design and technical reports for the project and inform the Developer of any errors.

Source: Company

12.6.1.9 Ewan Sedra Project

Table (12-30): Conditional Plot Sale and Purchase Agreement, dated 19/05/1443H (corresponding to 23/12/2021G):

Seller:	ROSHN Real Estate Company.
Purchaser:	Retal Urban Development Company.
Project Description:	The sale of plots of land with a total area of 29,364 sqm which forms part of the master community known as "SEDRA" for the purposes of residential development to be carried out by the Purchaser subject to various conditions set by the Seller who will manage the completed development.
Contract Value:	A fixed purchase price for the Project Land shall be payable by the Purchaser in incremental instalments.
Warranties:	The Purchaser shall issue order notes in respect of each payment instalment to the Seller and such order notes shall be returned by the Seller to the Purchaser where the order note has been replaced or when the relevant instalment of the Purchase Price has been paid.
Seller's Obligations:	The Seller shall carry out the construction of certain infrastructure including a permanent access road to the plots of land being acquired by the Purchaser together with the installation of telecom ducts (but not connections), water and electricity services up to the boundary of the Project Land.
Buyer's Obligations:	The Purchaser shall undertake the construction of all buildings and associated facilities necessary to develop the Sedra Project on the land to be purchased by the Purchaser within eighteen (18) months of the date of the agreement.
Governing Law:	Saudi law.

Termination:	The Seller may terminate the contract in the following cases: • Failure of the Purchaser to make any relevant payments for a period exceeding thirty (30) days from the date of the Purchaser's written notice of such failure. • The Purchaser purporting to sell, transfer, assign or otherwise deal with its interest under the agreement or the plots being acquired by the Purchaser other than in accordance with the agreement. • Breach by the Purchaser of any of its other contractual obligations. The Seller also has the right to terminate the agreement for reasons relating to force majeure, reasons beyond its control (e.g. failure to receive required approvals from government authorities), or failure to receive approval on issuance of the title deeds to the Real Estate Community. Upon such termination, the Seller shall return back to the Purchaser all amounts paid within thirty (30) days from the date of notice by the Seller to the Purchaser of termination.
Disputes:	In the event of a dispute, it shall be referred to the competent judicial authorities.
Assignment:	• The Seller may assign or transfer its rights and benefits under the agreement without the need to obtain the Purchaser's consent and upon written notice. • The Purchaser shall not, without the prior consent of the Seller assign, novate or transfer the agreement other than to lender in connection with financing the payment of the Purchase Price or completion of the Purchaser's works.

Source: the Company

12.6.1.10 Nesaj Town – AlNarjes

Table (12-31): Sub-Development Agreement for Qayran 235 - Nesaj Town - AlNarjes, 13/07/1443H (corresponding to 14/02/2022G).

Main Developer:	The National Housing Company (NHC).
Sub-Developer:	Retal Urban Development Company.
Project Description:	The Sub-Developer shall construct, market and sell residential units on a 126,563.1 sqm plot of land owned by the MoMRAH (referred to as the sub-project land). The Sub-Development Agreement is a subcontract to the Main Development Agreement between the Main Developer and the MoMRAH.
Contract Value:	To be sold by the Developer at a fixed price per 1 SQM.
Works Commencement Date:	On the site handover date set forth in the handover minutes to be signed by the parties within a period not exceeding six (6) months from the date of the Sub-Development Agreement.
Works Completion Date:	The Sub-Development Agreement provides that the expiry date of the Sub-Development Agreement shall be on the date occurring forty two (42) months from the date the Sub-Development Agreement is signed (Company to confirm the Works Completion Date).
Contract Extension:	Not specified in the agreement.
Fines/Delay Fines Provisions:	1- In the event the Sub-Developer has failed to sell the residential units (off-plan) and has failed to complete the works by the Works Completion Date as specified in accordance with the Sub-Development Agreement and in terms of the residential units sold to the Main Developer (off-plan), a delay penalty shall apply on the Sub-Developer (as assessed in accordance with Wafi rules) and payable to the Main Developer. 2- In the event of a delay in handing over a residential unit to purchaser of up to one (1) year beyond the date specified in the Sale Contract, the purchaser will be entitled to receive a penalty from the Developer not exceeding 7% of the value of the residential unit sold. In the event the Sub-Developer delays the handing over of the residential unit by more than one (1) year then the delay penalty shall not be limited to a percentage amount and shall be subject to and calculated in accordance with the market value.

Warranties:	The Sub-Developer is required to provide the Purchasers with the following guarantees as stipulated in the sale contracts: 1- The defects liability period relating to the foundation and concrete works shall not be less than ten (10) years from the date of handing over the residential unit to the purchasers. 2- The warranty period relating to the mechanical, electrical and other contractors' works shall not be less than one (1) year from the date of handing over the residential unit to the purchasers.
Bank Guarantee:	1- The Sub-Developer will issue a Bank Guarantee to the Main Developer with an amount of (SAR 40,300,555), which is an amount equivalent to 10% of the projected total amount of the project. 2- The Main Developer will release the Bank Guarantee upon request from the Sub-Developer when the completion percentage in the project is 10%. 3- The Main Developer may enforce the Bank Guarantee if the completion percentage in the project is less than 10% nine (9) months from the date of handing over the project site.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Main Developer may terminate the Sub-Development Agreement in the following cases: 1- If the Sub-Developer fails to start excavation works within sixty (60) days from the date of receiving notice from the Owner to start the Works. 2- If it is established that the Sub-Developer has provided materially inaccurate or misleading information in relation to the Sub-Development Agreement. 3- If the Sub-Developer becomes bankrupt or insolvent and is unable to carry out his obligations in the Sub-Development Agreement. 4- If the Sub-Developer breaches any of its obligations under the Sub-Development Agreement and has not rectified or is unable to rectify such breach within a period of fifteen (15) days from receiving written notification of such breach from the owner, if such breach is continuing. 5- The Sub-Development Agreement will be considered terminated if the Sub-Developer fails to provide the Bank Guarantee to the Main Developer within a period of sixty (60) days from the date of signing of the Sub-Development Agreement.
Disputes:	In the event of a dispute, the parties shall first attempt to resolve it amicably within thirty (30) days from the date it occurred. If this is not possible, it shall be referred to and finally settled by the competent judicial authorities in the Kingdom of Saudi Arabia.
Assignment:	The Main Developer has the right to assign his rights and obligations under the Sub-Development Agreement without the need for any consent from the Sub-Developer. After receiving the written approval from the Main Developer, the Sub-Developer will have the right to assign or subcontract his rights and obligations under the Sub-Development Agreement.
Operating and Maintenance:	The Sub-Developer will be obliged to perform operation and maintenance work on the residential units until handing over the residential units to the purchasers or until the expiry of the operation and maintenance obligation stated in the Sales Contracts, whichever is later.
Payments:	The Sub-Developer is required to pay the Land Value to the Main Developer in installments upon the completion of certain milestones.
Other Key Provisions:	1- The Sub-Developer is only allowed to sell the residential units in the project to the beneficiaries of the housing support program or their financiers. 2- In the event the off-plan sale payments were insufficient to complete the development of the project, the Sub-Developer will be obliged to take all necessary arrangements to complete the project before the works completion date. 3- The MoMRAH has the right to represent the claims of purchasers under the residential unit's sale contracts. 4- The remedy period given to a purchaser if he delays any of the payments shall not be less than sixty (60) days.

Source: the Company

Table (12-32): Engineering Supervision Agreement for Qayran 235 - Nesaj Town (AlNarjes), dated 01/07/1443H (corresponding to 02/02/2022G)

Developer:	Retal Urban Development Company.
Engineering Supervisor:	Office of Ahmed Al-Mousa for Engineering Consultants.
Project Description:	Provision of engineering supervision services for the Qayran 235 - Nesaj Town (AlNarjes)
Contract Value:	SAR 3,285,000 (based on providing services for 20 months).
Services Commencement Date:	The date of the minutes of the works commencement date signed by both parties.
Services Completion Date:	The services are to continue until project completion.
Fines/Delay Fines Provisions:	The Engineering Supervisor shall bear their own costs for any period of delay to the project for which the Engineering Supervisor was responsible.
Warranties:	The Engineering Supervisor shall be liable for any mistake in Works completed under its supervision and for any mistake resulting from the implementation of designs reviewed thereby.
Governing Law:	Saudi law.
Governing Language:	Arabic.
Termination:	The Engineering Supervision Agreement may be terminated in the following cases: 1- If the Engineering Supervisor delayed the commencement of the services, was slow in performing the services or stopped the services completely. 2- In the event the Engineering Supervisor violates any of the terms of the Contract or its annexes, or refrains from performing any of its contractual obligations and fails to remedy such violation within three (3) days. 3- Any other reason is at the discretion of the MoMRAH's or the Off-Plan Sales Committee. In the case of termination on the above grounds the Developer may appoint a new company to perform the Engineering Supervisor services at the cost of the Engineering Supervisor.
Disputes:	In the event a dispute cannot be resolved amicably within seven (7) days from the date it occurred, it shall be referred to the competent judicial authorities in the city of Al-Khobar, Saudi Arabia.
Assignment and Sub-Contracting:	After receiving the written approval from the Developer, the Engineering Supervisor shall have the right to assign or subcontract his rights and obligations under the Engineering Supervision Agreement.
Payments:	Developer is to pay the Engineering Supervisor the value of monthly works within twenty-one (21) days from approval of the monthly invoice by the Developer's Project Manager.
Design Liability:	The Engineering Supervisor shall review all the design and technical reports and inform the Developer of any errors. If, after completing part of the works, an error is found in the designs which resulted in damage to the Developer, the Engineering Supervisor shall be responsible for the resulting damages.
Other Key Provisions:	1- In the event the project period is extended by the Developer, the payments to the Engineering Supervisor will continue to be paid as usual, provided the total project duration is not exceeded by more than 20%. 2- In the event that there was a delay in the project duration caused by the Engineering Supervisor, the Engineering Supervisor will not be entitled to payment for the delay period.

Source: the Company

12.6.1.11 Nesaj Town – Safwa

Table (12-33): Sub-Development Agreement for Safwa 2&3, dated 13/07/1443H (corresponding to 14/02/2022G).

Main Developer:	The National Housing Company (NHC).
Sub-Developer:	Retal Urban Development Company.
Project Description:	The Sub-Developer shall construct, market and sell residential units on a 99,348.4 sqm plot of land owned by the MoMRAH (referred to as the sub-project land). The Sub-Development Agreement is a subcontract to the Main Development Agreement between the Main Developer and the MoMRAH.
Contract Value:	To be sold by the Developer at a fixed price per 1 SQM.
Works Commencement Date:	On the site handover date set forth in the handover minutes to be signed by the parties within a period not exceeding six (6) months from the date of the Sub-Development Agreement.
Works Completion Date:	The Sub-Development Agreement provides that the expiry date of the Sub-Development Agreement shall be on the date occurring forty two (42) months from the date the Sub-Development Agreement is signed (Company to confirm the Works Completion Date).
Contract Extension:	Not specified in the agreement.
Fines/Delay Fines Provisions:	1- In the event the Sub-Developer has failed to sell the residential units (off-plan) and has failed to complete the works by the Works Completion Date as specified in accordance with the Sub-Development Agreement and in terms of the residential units sold to the Main Developer (off-plan), a delay penalty shall apply on the Sub-Developer (as assessed in accordance with Wafi rules) and payable to the Main Developer. 2- In the event of a delay in handing over a residential unit to purchaser of up to one (1) year beyond the date specified in the Sale Contract, the purchaser will be entitled to receive a penalty from the Developer not exceeding 7% of the value of the residential unit sold. In the event the Sub-Developer delays the handing over of the residential unit by more than one (1) year then the delay penalty shall not be limited to a percentage amount and shall be subject to and calculated in accordance with the market value.
Warranties:	The Sub-Developer is required to provide the Purchasers with the following guarantees as stipulated in the sale contracts: 1- The defects liability period relating to the foundation and concrete works shall not be less than ten (10) years from the date of handing over the residential unit to the purchasers. 2- The warranty period relating to the mechanical, electrical and other contractors' works shall not be less than one (1) year from the date of handing over the residential unit to the purchasers.
Bank Guarantee:	1- The Sub-Developer will issue a Bank Guarantee to the Main Developer with an amount of (SAR 34,461,560), which is an amount equivalent to 10% of the projected total amount of the project. 2- The Main Developer will release the Bank Guarantee upon request from the Sub-Developer when the completion percentage in the project is 10%. 3- The Main Developer may enforce the Bank Guarantee if the completion percentage in the project is less than 10% nine (9) months from the date of handing over the project site.
Governing Law:	Saudi law.
Governing Language:	Arabic.

Termination:	The Main Developer may terminate the Sub-Development Agreement in the following cases: 1- If the Sub-Developer fails to start excavation works within sixty (60) days from the date of receiving notice from the Owner to start the Works. 2- If it is established that the Sub-Developer has provided materially inaccurate or misleading information in relation to the Sub-Development Agreement. 3- If the Sub-Developer becomes bankrupt or insolvent and is unable to carry out his obligations in the Sub-Development Agreement. 4- If the Sub-Developer breaches any of its obligations under the Sub-Development Agreement and has not rectified or is unable to rectify such breach within a period of fifteen (15) days from receiving written notification of such breach from the owner, if such breach is continuing. 5- The Sub-Development Agreement will be considered terminated if the Sub-Developer fails to provide the Bank Guarantee to the Main Developer within a period of sixty (60) days from the date of signing of the Sub-Development Agreement.
Disputes:	In the event of a dispute, the parties shall first attempt to resolve it amicably in thirty (30) days from the date it occurred. If this is not possible, it shall be referred to and finally settled by the competent judicial authorities in the Kingdom of Saudi Arabia.
Assignment:	The Main Developer has the right to assign his rights and obligations under the Sub-Development Agreement without the need for any consent from the Sub-Developer. After receiving the written approval from the Main Developer, the Sub-Developer will have the right to assign or subcontract his rights and obligations under the Sub-Development Agreement.
Operating and Maintenance:	The Sub-Developer will be obliged to perform operation and maintenance work on the residential units until handing over the residential units to the purchasers or until the expiry of the operation and maintenance obligation stated in the Sale Contracts, whichever is later.
Payments:	The Sub-Developer is required to pay the Land Value to the Main Developer in installments upon the completion of certain milestones.
Other Key Provisions:	1- The Sub-Developer is only allowed to sell the residential units in the project to the beneficiaries of the housing support program or their financiers. 2- In the event the off-plan sale payments were insufficient to complete the development of the project, the Sub-Developer will be obliged to take all necessary arrangements to complete the project before the works completion date. 3- The MoMRAH has the right to represent the claims of buyers under the residential unit's sales contracts. 4- The remedy period given to a purchaser if he delays in one of the payments shall not be less than sixty (60) days.

Source: the Company

12.7 Real Estate

12.7.1 Owned Properties

The table of owned properties detailed below does not include the book value of all properties due to the sensitive and confidential nature thereof, the publication of which may affect the Company's competitiveness.

As of the date of the Prospectus, the total value of all properties owned by the Company and its Subsidiaries as mentioned in this section equates to SAR 473,158,298.

The table below shows a summary of properties owned by the Company and its Subsidiaries:

Table (12-34): Title Deeds

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No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
Completed Projects							
1.	Plot of Land No. 1/528 of the original Plot of Land No. 525, Plot of Land No. 526, Plot of Land No. 527, Plot of Land No. 528, Plot of Land No. 529, Plot of Land No. 530, Plot of Land No. 531, Plot of Land No. 532, Plot of Land No. 533, Plot of Land No. 534, Plot of Land No. 535, Plot of Land No. 536 and Plot of Land No. 537 of Block No. 50 of Plan No. 1097 Sh D, located at Al Nahdha District, City of Dammam.	Ewan Al Qayrawan	330115007813	12/02/1439H	SQM 366.6	Retal Urban Development Company	They are not mortgaged
2.	Plot of Land No. 2/241 of Block No. 21 of Plan No. 1097 Sh D, located at Al Nahdha District, City of Dammam.	Ewan Al Qayrawan	330107027340	17/03/1439H	SQM 390	Retal Urban Development Company	They are not mortgaged
3.	Plot of Land No. 2/521 of the original Plot of Land No. 516, Plot of Land No. 514, Plot of Land No. 517, Plot of Land No. 515, Plot of Land No. 519, Plot of Land No. 518, Plot of Land No. 520, Plot of Land No. 521, Plot of Land No. 524, Plot of Land No. 523 and Plot of Land No. 522, of Block No. 49 of Plan No. 1097 D Sh, located at Al Nadha District, City of Dammam.	Ewan Al Qayrawan	930106022706	12/02/1439H	SQM 366.6	Retal Urban Development Company	They are not mortgaged

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
4.	Plot of Land No. 1/524 of the original Plot of Land No. 516, Plot of Land No. 514, Plot of Land No. 517, Plot of Land No. 515, Plot of Land No. 519, Plot of Land No. 518, Plot of Land No. 520, Plot of Land No. 521, Plot of Land No. 524, Plot of Land No. 523 and Plot of Land No. 522, of Block No. 49 of Plan No. 1097 Sh D, located at Al Nahdha District, City of Dammam.	Ewan Al Qayrawan	830106022702	12/02/1439H	SQM 360.8	Retal Urban Development Company	They are not mortgaged
5	Housing Unit No. 81 on the Ground Floor of Plot of Land No. 22/1 of Plan No. Sh Kh 681, City of Al Khobar	Retal Square Apartments Building	630205015708	08/07/1439H	SQM 232.58	Retal Urban Development Company	It is not mortgaged
6.	Housing Unit No. 1/1/1555 of Block No. 54 of the Amended Plan No. 1/1179 SH D, Al-Shula District, City of Dammam.	Al-Dawahi	530107028741	12/11/1439H	SQM 319.50	Nesaj Urban Development Company	It is not mortgaged
7.	Plot of Land No. 56 of Block No. 9 of Plan No. SH KH 683, Al-Thoqba Industrial Area, City of Al Khobar.	Netaj Building	394732000322	11/04/1443H	SQM 2,302.01	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
Projects in Progress							
8.	Plots of Land Nos. 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234 and 235 of Block No. 17 of Plan No. SH KH 739, located at Al-Sadafa District.	Ayala Al-Nakheel	394747000314	21/10/1441H	SQM 13,95.92	Retal Urban Development Company	They are not mortgaged
9.	Plots of Land Nos. 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244 and 245 of Block No. 20 of Plan No. SH KH 741, located at Al-Sadafa District, City of Al Khobar	Ayala Al-Nakheel	930207012606	24/01/1441H	SQM 11,679.88	Retal Urban Development Company	They are not mortgaged
10.	Plots of Land Nos. 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219 and 220 of Block No. 16 of Plan No. SH KH 739, located at Al-Sadafa District, City of Al Khobar	Ayala Al-Nakheel	494747000331	24/10/1441H	SQM 12,566.03	Retal Urban Development Company	They are not mortgaged
11.	Plots of Land Nos. 130/A, 131/A, 132/A, 133/A, 134/A, 135/A, 136/A, 137/A, 138/A, 139/A, 140/A and 141/A of Plan No. 2/121, located at Azizia South West District, City of Al Khobar	Nesaj Town Al-Khobar	994052001960	04/04/1442H	SQM 9,615.71	Retal Urban Development Company	They are mortgaged in favor of Riyad Bank

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
12.	Plots of Land Nos. 142/A, 143/A, 144/A, 145/A, 146/A, 147/A, 148/A, 149/A and 150/A of Plan No. 121/2, located at Azizia South West District, City of Al-Khobar	Nesaj Town Al-Khobar	394052001954	04/04/1442H	SQM 7,662.35	Retal Urban Development Company	They are mortgaged in favor of Riyad Bank
13.	Plots of Land Nos. 98/A, 99/A, 100/A, 101/A, 102/A, 103/A, 104/A, 105/A, 106/A, 107/A, 108/A and 109/A of Plan No. 121/2, located at Azizia South West District	Nesaj Town Al-Khobar	394052001955	04/04/1442H	SQM 9,009.23	Retal Urban Development Company	They are mortgaged in favor of Riyad Bank
14.	Plot of Land No. 161/1 of Block No. 13 of Plan No. 121/2, Located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	494732000310	17/04/1443H	SQM 437,40	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
15.	Plot of Land No. 161/2 of Block No. 13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	894732000311	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
16.	Plot of Land No. 162/1 of Block No.13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	894732000312	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
17.	Plot of Land No. 162/2 of Block No.13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	894732000313	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
18	Plot of Land No. 163/1 of Block No.13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	394732000314	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
19.	Plot of Land No. 163/2 of Block No.13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	394732000315	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
20.	Plot of Land No. 164/1 of Block No.13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	994732000316	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
21.	Plot of Land No. 164/2 of Block No.13 of Plan No. 121/2, located at Azizia District, City of Al-Khobar	Nesaj Town Al-Khobar	994732000317	17/04/1443H	SQM 437.50	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
22.	Plot of Land No. 77/2/A of Block No.14 of Plan No. 121/2, located at Azizia South West District	Nesaj Town Al-Khobar	994732000319	17/04/1443H	SQM 360	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
23.	Plot of Land No. 177/1/A of Block No. 14 of Plan No. 121/2, located at Azizia South West District	Nesaj Town Al-Khobar	994732000318	17/04/1443H	SQM 352	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
24.	Plot of Land No. 178/3/A of Block No. 14 of Plan No. 121/2, located at Azizia South West District	Nesaj Town Al-Khobar	894732000321	17/04/1443H	SQM 352	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
25.	Plot of Land No. 178/2/A of Block No. 14 of Plan No. 121/2, located at Azizia South West District	Nesaj Town Al-Khobar	694732000320	17/04/1443H	SQM 360	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
26.	Plot of Land No. 50/1/A of Block No. 14 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	930215001278	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
27.	Plot of Land No. 50/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001279	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
28.	Plot of Land No. 51/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001280	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
29.	Plot of Land No. 51/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001281	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
30.	Plot of Land No. 51/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	430215001282	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
31.	Plot of Land No. 52/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	430215001284	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
32.	Plot of Land No. 53/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	430215001284	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
33.	Plot of Land No. 53/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	430215001285	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
34.	Plot of Land No. 54/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	430215001286	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
35.	Plot of Land No. 54/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001299	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
36.	Plot of Land No. 55/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	930215001287	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
37.	Plot of Land No. 55/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001289	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
38.	Plot of Land No. 56/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	730215001289	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
39.	Plot of Land No. 56/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	930215001290	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
40.	Plot of Land No. 57/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	930215001291	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
41.	Plot of Land No. 57/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	530215001292	02/04/1443H	SQM 455	Retal Urban Development Company	It is not mortgaged
42.	Plot of Land No. 58/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	930215001294	02/04/1443H	SQM 330.04	Retal Urban Development Company	It is not mortgaged
43.	Plot of Land No. 58/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	730215001294	02/04/1443H	SQM 338.04	Retal Urban Development Company	It is not mortgaged
44.	Plot of Land No. 58/3/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001295	02/04/1443H	SQM 281.7	Retal Urban Development Company	It is not mortgaged
45.	Plot of Land No. 59/1/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	630215001296	02/04/1443H	SQM 281.7	Retal Urban Development Company	It is not mortgaged
46.	Plot of Land No. 59/2/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	330215001297	02/04/1443H	SQM 366.21	Retal Urban Development Company	It is not mortgaged
47.	Plot of Land No. 59/3/A of Block No. 4 of Plan No. 121, located at Azizia South West District	Nesaj Town Al-Khobar	730215001298	02/04/1443H	SQM 348.21	Retal Urban Development Company	It is not mortgaged
48.	Plot of Land No. 40/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	730208011970	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
49.	Plot of Land No. 40/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	330208011969	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
50.	Plot of Land No. 41/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	33020811968	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
51.	Plot of Land No. 41/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	330208011967	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
52.	Plot of Land No. 42/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	230208011966	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
53.	Plot of Land No. 42/2/A, Block No. 3, Plan No. 2/121, Located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	930208011965	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged.
54.	Plot of Land No. 43/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	330208011964	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
55.	Plot of Land No. 42/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	530215001180	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
56.	Plot of Land No. 44/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	930210007712	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
57.	Plot of Land No. 44/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	230215001181	15/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
58.	Plot of Land No. 45/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	430210007711	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
59.	Plot of Land No. 45/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	330215001182	15/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
60.	Plot of Land No. 46/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	930215007710	15/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
61.	Plot of Land No. 46/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	930210007710	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
62.	Plot of Land No. 47/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	930210007709	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
63.	Plot of Land No. 47/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	730210007708	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
64.	Plot of Land No. 48/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	730210007707	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
65.	Plot of Land No. 48/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	730215001184	15/03/1443H	SQM 462.5	Retal Urban Development Company	It is not mortgaged
66.	Plot of Land No. 49/1/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	730210007706	18/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
67.	Plot of Land No. 49/2/A of Block No. 3 of Plan No. 2/121, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	330215001185	15/03/1443H	SQM 437.5	Retal Urban Development Company	It is not mortgaged
68.	Plots of Land Nos. 110/A, 111/A, 112/A, 113/A, 114/A, 115/A, 116/A, 116/A, 117/A, 118/A, 119/A, 120/A, 121/A, 122/A, 123/A, 124/A, 125/A, 126/A, 127/A, 128/A and 129/A of Block No. 9 of Plan No.121/2, located at Azizia West District, City of Al-Khobar	Nesaj Town Al-Khobar	730210004765	09/04/1442H	SQM 18,933.48	Retal Urban Development Company	They are mortgaged in favor of Riyad Bank
69.	Plot of Land Nos. 45, 46, 47, 48, 49, 50, 51, 52 and 53 of Block No. 5 of Plan No. SH KH 741, located at Azizia West District, City of Al-Khobar	Coya	694057000670	11/06/1442H	SQM 8,718.07	Retal Urban Development Company	It is mortgaged in favor of Arab National Bank
Company's Lands (not related to any specific project)							
70.	Plot of Land No. 131 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	294057000673	12/06/1442H	SQM 2,694.50	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
71.	Plot of Land No. 120 of Block No. 13 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Retal Land Bank	394057000666	11/06/1442H	SQM 2,500	Retal Urban Development Company	It is mortgaged in favor of Arab National Bank
72.	Plot of Land No. 122 of Block No. 13 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Retal Land Bank	394057000664	11/06/1442H	SQM 2,694.50	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
73.	Plot of Land No. 132 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	494057000677	12/06/1442H	SQM 3,734.05	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
74.	Plot of Land No. 126 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	694057000675	12/06/1442H	SQM 2,982	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
75.	Plot of Land No. 130 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	394057000674	12/06/1442H	SQM 2,700	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
76.	Plot of Land No. 124 of Block No. 13 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Retal Land Bank	394057000668	11/06/1442H	SQM 2,582	Retal Urban Development Company	It is mortgaged in favor of Arab National Bank
77.	Plot of Land No. 121 of Block No. 13 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Retal Land Bank	994057000667	11/06/1442H	SQM 2,500	Retal Urban Development Company	It is mortgaged in favor of Arab National Bank
78.	Plot of Land No. 127 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	694057000680	12/06/1442H	SQM 2,982	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
79.	Plot of Land No. 128 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	694057000679	12/06/1442H	SQM 2,700	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
80.	Plot of Land No. 133 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	994057000676	12/06/1442H	SQM 3,106.75	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
81.	Plot of Land No. 129 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Nesaj Land Bank	994057000678	12/06/1442H	SQM 2,694.50	Nesaj Urban Development Company	It is mortgaged in favor of Arab National Bank
82.	Plot of Land No. 125 of Block No. 14 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Retal Land Bank	794057000669	11/06/1442H	SQM 2,582	Retal Urban Development Company	It is mortgaged in favor of Arab National Bank
83.	Plot of Land No. 123 of Block No. 13 of Plan No. SH D/1230, located at Al-Anwar District, City of Dammam	Retal Land Bank	994057000665	11/06/1442H	SQM 2,500	Retal Urban Development Company	It is mortgaged in favor of Arab National Bank
84.	Plot of Land No. 257 of Block No. 21 of Plan No. 741 SH G, located at Al-Sadafa District, City of Al-Khobar	Retal Land Bank	730210007948	09/04/1443H	SQM 719.25	Retal Urban Development Company	It is not mortgaged

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
85.	Plot of Land No. 284 of Block No. 24 of Plan No. 741 SH G, located at Al-Sadafa District, City of Al-Khobar	Retal Land Bank	930210008043	13/04/1443H	SQM 787.32	Retal Urban Development Company	It is not mortgaged
86.	Plot of Land No. 285 of Block No. 24 of Plan No. 741 SH G, located at Al-Sadafa District, City of Al-Khobar	Retal Land Bank	830210008044	13/04/1443H	SQM 787.32	Retal Urban Development Company	It is not mortgaged
87.	Plot of Land No. 287 of Block No. 24 of Plan No. 741 SH G, located at Al-Sadafa District, City of Al-Khobar	Retal Land Bank	430210008045	13/04/1443H	SQM 797.29	Retal Urban Development Company	It is not mortgaged
88.	Plot of Land No. 33/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	394732000303	17/04/1443H	SQM 210,1.28	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
89.	Plot of Land No. 34/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	394732000304	17/04/1443H	SQM 2,089.88	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
90.	Plot of Land No. 35/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	294732000305	17/04/1443H	SQM 1,665.68	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
91.	Plot of Land No. 36/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	294732000306	17/04/1443H	SQM 1,560.84	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
92.	Plot of Land No. 37/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	994732000307	17/04/1443H	SQM 2,152.32	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
93.	Plot of Land No. 38/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	994732000308	17/04/1443H	SQM 2,205	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
94.	Plot of Land No. 39/N of Block No. 3 of Plan No. 121/2, located at Azizia West District, City of Al-Khobar	Retal Land Bank	694732000309	17/04/1443H	SQM 1,330	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank
Head Office							
95.	(Commercial) Facility No. 57 of Plan No. 407/2, Al-Rawabi District	Retal Land and Main Premises Building	294715000776	01/05/1442H	SQM 5,921	Retal Urban Development Company	It is mortgaged in favor of Al Rajhi Banking Investment Company
96.	Plot of Land No. 852 of Plan No. 2804, Al-Bawadi District, City of Riyadh	Retal Head Office, Riyadh	594732000323	17/04/1443H	SQM 2,152.5	Retal Urban Development Company	It is mortgaged in favor of Riyad Bank

No.	Description/Location	Project Name	Deed Number	Deed Date	Area	Owner	Mortgage
Future Properties							
97.	Plot of Land No. 22 of Plan No. 14, Al-Salmania District, Der'eia City	Retal Business Park	396426002202	07/01/1443H	SQM 13,341.53	Retal Urban Development Company	It is not mortgaged
98.	Plot of Land No. 22 of Block No. 2 of Plan No. SH SK 741, located at Al-Sadafa District, City of Al-Khobar	Retal Rise (Nobo Hotel and Restaurant)	330205023758	22/06/1443H	SQM 5,352.45	50% for Retal Urban Development Company (SQM 2,686.2) and 50% for Assayel Arabia Real Estate Company	It is not mortgaged
99.	Plot of Land No. 23 of Block No. 2 of Plan No. SH KH 741, located at Al-Sadafa District, City of Al-Khobar	Retal Rise Tower	330205023759	22/06/1443H	SQM 5,697.9	50% for Retal Urban Development Company (SQM 2,849) and 50% for Assayel Arabia Real Estate Company	It is not mortgaged
100.	Plot of Land No. 126/A of Plan No. 2/182 of Block No. 126, located at Azizia South Ain -Saih, City of Al-Khobar	Retal Blue	430205023404	20/03/1443H	SQM 200,000	50% for Retal Urban Development Company (SQM 100,000) and 50% for Mohammed Bin Salmeen Bin Mubarak Al Nahdi	It is not mortgaged
101.	Plot of Land No. 126/A, Ain -Saih South West District, City of Al-Khobar	Retal Blue	530205023405	20/03/1443H	SQM 300,000	50% for Retal Urban Development Company (SQM 150,000) and 50% for Mohammed Bin Salmeen Bin Mubarak Al Nahdi	It is not mortgaged
102.	Plots of Land Nos. 1/1, and 2/3 of Plan No. 594 SH G, located at Azizia District, City of Al-Khobar	Retal Land Bank	630208012396	25/04/1443H	SQM 89,917.3	50% for Retal Urban Development Company (SQM 44,959) and 50% for Mansour bin Jumaa & Sons Holding Company	It is not mortgaged

Source: the Company

12.7.2 Lease Contracts

The table below shows a summary of lease contracts of properties rented to or by the Company and its Subsidiaries as "**owner**" or "**lessee**":

Table (12-35): Lease Contracts:

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/or Sublease	Annual Rent Value
Completed Projects								
1.	**The Grand (A)** A residential building called "**The Grand**", the Plot of Land No. 118 of Plan No. Sh D 1230, Al-Anwar District, City of Dammam	SQM 12,482	Hefz Al Derayah Real Estate Company (CR No. 1010470413)	Retal Urban Development Company (CR No. 2051047761)	Five (5) years commencing as of 01/11/2017G, and ending on 01/10/2022G.	The Lease Contract shall be automatically renewable, year after another, commencing from 1 November and ending on 1 October unless either party notifies the other in writing, two (2) months prior to the Contract expiry date, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises nor to assign the Lease Contract to any other party without a prior written consent from the Lessor.	SAR 5,000,000
2.	**Retal Business Center** A unit at the fifth floor of Retal Business Center, Al Khobar	SQM 65	Retal Urban Development Company (CR No. 2051047761)	Mimar Emirates Company and Arac Engineering Consultancy Office (CR No. 2051226091)	Three (3) years commencing as of 05/07/2020G, and ending on 04/07/2023G.	Renewable by mutual agreement between the parties unless either party notifies the other, at least six (6) months prior to the Lease Contract expiry, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises without a prior written consent from the Lessor. There are no restrictions on the Lessor with regard to its right to assign.	SAR 70,265
3.	**Retal Business Center** A unit on the first floor of Retal Business Center, Al Khobar	SQM 365	Retal Urban Development Company (CR No. 2051047761)	Building Construction Company (CR No. 2051023581)	Three (3) years commencing as of 28/06/2020G, and ending on 27/06/2023G.	Renewable by mutual agreement between the parties unless either parWWWwWWty notifies the other, at least six (6) months prior to the Lease Contract expiry, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises without a prior written consent from the Lessor. There are no restrictions on the Lessor with regard to its right to assign.	SAR 369,904

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/or Sublease	Annual Rent Value
4.	**Retal Business Center** A unit on the fifth floor of Retal Business Center, Al Khobar	SQM 100	Retal Urban Development Company (CR No. 2051047761)	Nesaj Urban Development Company (CR No. 2051049871)	Three (3) years commencing as of 05/07/2020G, and ending on 04/07/2023G.	Renewable by mutual agreement between the parties unless either party notifies the other, at least six (6) months prior to the Lease Contract expiry, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises without a prior written consent from the Lessor. There are no restrictions on the Lessor with regard to its right to assign.	SAR 108,100
5.	**Retal Business Center** Real Property No. 57 of Plan No. 2/407, King Faisal Bin Abdulaziz Street, Rawabi District, Al Khobar	SQM 4,359	Retal Urban Development Company (CR No. 2051047761)	United Homeware Company Ltd (CR No. 2051047397)	Ten (10) years commencing as of 01/01/2020G, and ending on 31/12/2030G.	The Contract is automatically renewed for a similar period unless one of the parties notifies the other of its unwillingness to renew two months prior to Contract expiration date.	The Lessee shall have no right to sublease the real estate nor to assign the Lease Contract to any other party without a written consent from the Lessor. There are no restrictions on the Lessor with regard to its right to assign. However, the Lessee may, at its own risk, sublease to others parts of the leased premises not to exceed 30% of the total area.	SAR 4,042,500
6.	**Retal Business Center** A unit on the second floor of Retal Business Center, Al Khobar	SQM 456	Retal Urban Development Company (CR No. 2051047761)	Tadbeir Limited Company (CR No. 2051059223)	Three (3) years commencing as of 28/06/2020G, and ending on 27/06/2023G.	Renewable by mutual agreement between the parties unless either party notifies the other, at least six (6) months prior to the Lease Contract expiry, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises without a prior written consent from the Lessor. There are no restrictions on the Lessor with regard to its right to assign.	SAR 492,936

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/ or Sublease	Annual Rent Value
7.	**Retal Business Center** A unit on the first floor of Retal Business Center, Al Khobar	SQM 365	Retal Urban Development Company (CR No. 2051047761)	Building Construction Company (CR No. 2051023581)	Five (5) years commencing as of 28/06/2020G, and ending on 27/06/2023G.	Renewable by mutual agreement between the parties unless either party notifies the other, at least six (6) months prior to the Lease Contract expiry, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises without a prior written consent from the Lessor. There are no restrictions on the Lessor with regard to its right to assign.	SAR 369,904
8.	**Ewan Al Qayrawan** Housing unit No. (Q-165-D), Plot of Land No. 1/524 of Block No. 49 of Plan No. 1097 Sh D, Al Nahdha District, City of Dammam	Not specified	Retal Urban Development Company (CR No. 2051047761)	Mohammed Bin Mansour Al-Sharif (ID Card No. 1011124391)	Five (5) years commencing as of 01/09/2019G, and ending on 01/09/2023G.	The Contract contains no automatic renewal provision-renewal shall be by mutual agreement between the parties.	The Lessee shall have no right to assign the Lease Contract nor to sublease the real property to any other party without a prior written consent from the Lessor.	SAR 111,715
9.	**Ewan Al Qayrawan** Housing unit No. (Q-181-A), Plot of Land No. 2/521 of Block No. 49 of Plan No. 1097 Sh D, City of Dammam	Not specified	Retal Urban Development Company (CR No. 2051047761)	Mustafa Bin Saud Mahroos (ID Card No. 1029615075)	Three (3) years commencing as of 10/12/2018G, and ending on 10/12/2021G.	The Contract contains no automatic renewal provision-renewal shall be by mutual agreement between the parties.	The Lessee shall have no right to assign the Lease Contract nor to sublease the real property to any other party without a prior written consent from the Lessor.	SAR 116,538
10.	**Ewan Al Qayrawan** Housing unit No. (Q-203-A), Plot of Land No. 1/528 of Block No. 50 of Plan No. 1097 Sh D, City of Dammam	Not specified	Retal Urban Development Company (CR No. 2051047761)	Mohammed Bin Adnan Bin Ayedh Al-Ahmadi (ID Card No. 1019389772)	Five (5) years commencing as of 20/09/2018G, and ending on 20/09/2022G.	The Contract contains no automatic renewal provision-renewal shall be by mutual agreement between the parties.	The Lessee shall have no right to assign the Lease Contract nor to sublease the real property to any other party without a prior written consent from the Lessor.	SAR 100,000
11.	**Retal Square Apartments** Housing unit No. (C-41) of a housing real property located at 6633, Bandaria District (City of Al Khobar), 34423-3316	Not specified	Hussein Bin Omar Bin Hussein Ba Aqeel (ID Card No. 1038086110)	Khalid Mohammed Bin Khalid Al-Jofan (ID Card No. 1072470394)	One (1) year commencing as of 01/05/2021G, and ending on 30/04/2022G.	Automatically renewable unless either party notifies the other, at least sixty (60) days prior to the expiry of the Contract term, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the unit. The Lease Contract contains no provision as to the right to assign.	SAR 40,000

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/or Sublease	Annual Rent Value
12.	**Retal Square Apartments** Housing unit No. (A-02) of a housing real property located at 6657, Bandaria District, City of Al Khobar, 34423-3315	Not specified	Hussein Bin Omar Bin Hussein Ba Aqeel (ID Card No. 1038086110)	Ziad Mohammed Abdullah Al-Shemary (ID Card No. 1019411220)	One (1) year commencing as of 01/01/2021G, and ending on 31/12/2021G.	Automatically renewable unless either party notifies the other, at least sixty (60) days prior to the expiry of the Contract term, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the unit. The Lease Contract contains no provision as to the right to assign.	SAR 70,000
13.	**Retal Square Apartments** Housing unit No. (A-15) of a housing real property located at 6604, King Fahd Street, Bandaria District, City of Al Khobar	Not specified	Hussein Bin Omar Bin Hussein Ba Aqeel (ID Card No. 1038086110)	Abdul-Rahman Faisal Abdul-Aziz Al-Braikan (ID Card No. 1093083010)	One (1) year commencing as of 01/12/2020G, and ending on 30/11/2021G.	Automatically renewable unless either party notifies the other, at least sixty (60) days prior to the expiry of the Contract term, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the unit. The Lease Contract contains no provision as to the right to assign.	SAR 47,500
14.	**Retal Square Apartments** Housing unit No. (F-86) of a housing real property located at 6608, Bandaria District, City of Al Khobar, 34423-3352	Not specified	Hussein Bin Omar Bin Hussein Ba Aqeel (ID Card No. 1038086110)	Eyad Ahmed Mohamed Abu Kabeer (ID Card No. 2026103115)	One (1) year commencing as of 01/01/2021G, and ending on 31/12/2021G.	Automatically renewable unless either party notifies the other, at least sixty (60) days prior to the expiry of the Contract term, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the unit. The Lease Contract contains no provision as to the right to assign.	SAR 40,000
15.	**The Valley** The Valley Compound, Plot of Land No. 429 of Plan No. 4/180, Solaimania District, Al-Hofouf, Kingdom of Saudi Arabia	SQM 2,642	Hefz Al Derayah Real Estate Company (CR No. 1010470413)	Retal Urban Development Company (CR No. 2051047761)	Five (5) years commencing as of 01/11/2017G, and ending on 01/10/2022G.	The Lease Contract shall be automatically renewable, on a yearly basis, commencing from 1 November and ending on 1 October unless either party notifies the other in writing, two (2) months prior to the Contract expiry date, of its intention not to renew the Contract.	The Lessee shall have no right to sublease the leased premises nor to assign the Lease Contract to any other party without a prior written consent from the Lessor.	SAR 3,000,000
Investment Properties								

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/or Sublease	Annual Rent Value
16.	**Netaj Building** The Units No. (SR-01) and (SR-02) of a commercial building, located at: 8101, King Khalid Branch Road, Al-Thoqba Industrial District, Al Khobar, 2450 -34626	(SR-01): SQM 59 (SR-02): SQM 71	Khalid Abdulrahman Abdullah Al Al-Sheikh Mubarak (ID Card No. 1006104168)	Mohsin Hamed Al-Ghamdi Establishment (CR No. 2050014051)	One (1) year commencing as of 01/07/2021G, and ending on 30/06/2022G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lease Contract contains no provision as to the right to assign and/or sublease.	SAR 66,600
17.	**Netaj Building** The Unit No. (SR-03) of a commercial building, located at: 8101, King Khalid Branch Road, Al-Thoqba Industrial District, Al Khobar, 2450 -34626	(SR-03): SQM 71	Khalid Abdulrahman Abdullah Al Al-Sheikh Mubarak (ID Card No. 1006104168)	Aseel Al-Shisha Establishment (CR No. 2050108924)	One (1) year commencing as of 01/07/2021G, and ending on 30/06/2022G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lease Contract contains no provision as to the right to assign and/or sublease.	SAR 33,350
18.	**Netaj Building** The Unit No. (SR-04) of a commercial building located at: 8101, King Khalid Branch Road, Al-Thoqba Industrial District, Al Khobar, 2450 -34626	(SR-04): SQM 71	Khalid Abdulrahman Abdullah Al Al-Sheikh Mubarak (ID Card No. 1006104168)	Assel Al-Tufahhatain Establishment (CR No. 2050108836)	One (1) year commencing as of 01/07/2021G, and ending on 30/06/2022G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lease Contract contains no provision as to the right to assign and/or sublease.	SAR 33,350
19.	**Netaj Building** The Unit No. (SR-05) of a commercial building, located at: 8101, King Khalid Branch Road, Al-Thoqba Industrial District, Al Khobar, 2450 -34626	(SR-05): SQM 71	Khalid Abdulrahman Abdullah Al Al-Sheikh Mubarak (ID Card No. 1006104168)	Enab Romman Establishment (CR No. 2050108837)	One (1) year commencing as of 01/07/2021G, and ending on 30/06/2022G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lease Contract contains no provision as to the right to assign and/or sublease.	SAR 33,350
20.	**Netaj Building** The Unit No. (SR-06) of a commercial building located at: 8101, King Khalid Branch Road, Al-Thoqba Industrial District, Al Khobar, 2450 -34626	(SR-06): SQM 63	Khaled Abdulrahman Abdullah Al Al-Sheikh Mubarak (ID Card No. 1006104168)	Al-NemssTrading Establishment (CR No. 2050137240)	One (1) year commencing as of 01/07/2021G, and ending on 30/06/2022G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lease Contract contains no provision as to the right to assign and/or sublease.	SAR 33,350

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/or Sublease	Annual Rent Value
21.	**Netaj Building** The Unit No. (ST-01) of a commercial building located at: 8101, King Khalid Branch Road, South of Al Khobar	(ST-01): SQM 314	Ziad Mohammed Abdullah Al-Shemary (ID Card No. 1019411220)	Docking Saudi Arabia Company (CR No. 2051054429)	One (1) year commencing as of 01/08/2020G, and ending on 31/07/2021G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lease Contract contains no provision as to the right to assign and/or sublease.	SAR 303,000
Offices								
22.	**Riyadh Office** Floor (7D) of Tamkeen Commercial Tower, Olaya Road, Riyadh, Kingdom of Saudi Arabia.	SQM 244	Mada Group for Industrial and Commercial Investment (CR No. 1010164058)	Retal Urban Development Company (CR No. 2051047761)	Three (3) years commencing as of 15/03/2020G, and ending on 14/03/2023G.	Renewable automatically unless the Lessee notifies the Lessor, at least ninety (90) days prior to the expiry of the term, of its intention not to renew the Contract.	The Lessee shall have no right to assign the Lease Contract nor to sublease the real property to any other party without a prior written consent from the Lessor.	SAR 367,647
Company's Employees Accommodation								
23.	Lease Contract of the Accommodation of Building Construction Company's Employees - No. 1 Residential apartments No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13. Residential units No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of a housing building, located at 7700 Shaqraa, Al-Thoqbah District, Al Khobar, 4022-34624.	Not specified	Saif Bin Ahmed Bin Saif Thabet (ID Card No. 1050406931)	Building Construction Company Limited (CR No. 2051023581)	One (1) year commencing as of 05/12/2020G, and ending on 04/12/2021G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lessee shall have no right to sublease the units to any other party. The Lease Contract contains no provision as to the right to assign.	SAR 140,000
24.	Lease Contract of the Accommodation of Building Construction Company's Employees - No. 2 Residential units No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of a housing building, located at 7947, Al-Kharj, Al-Thoqbah District, Al Khobar, 34624-4040.	Not specified	Ibrahim Mohammed Ibrahim Qorra Ali (ID Card No. 1007091414)	Building Construction Company Limited (CR No. 2051023581)	One (1) year commencing as of 05/12/2020G, and ending on 04/12/2021G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lessee shall have no right to sublease the units to any other party. The Lease Contract contains no provision as to the right to assign.	SAR 120,000

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/or Sublease	Annual Rent Value
25.	Lease Contract of the Accommodation of Building Construction Company's Employees - No. 3 Residential units No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of a housing building, located at 7714, Shaqraa, Al-Thoqbah District, Al Khobar, 4017-34624.	Not specified	Saeed Fahed Mardhi Al-Dossary (ID Card No. 1039713407)	Building Construction Company Limited (CR No. 2051023581)	One (1) year commencing as of 01/12/2020G, and ending on 30/11/2021G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lessee shall have no right to sublease the units to any other party. The Lease Contract contains no provision as to the right to assign.	SAR 140,000
26.	Lease Contract of the Accommodation of Building Construction Company's Employees- No. 4 Residential units No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of a housing building, located at 8230, Al-Najran, Al-Thoqbah District, Al Khobar, -2785-34623.	Not specified	Mohammed Bin Abdullah Bin Ibrahim Al-Hatlani (ID Card No. 1009149392)	Building Construction Company Limited (CR No. 2051023581)	One (1) year commencing as of 01/02/2020G, and ending on 31/01/2021G. (Renewed automatically)	Renewable by mutual agreement between the parties by signing a new contract.	The Lessee shall have no right to sublease the units to any other party. The Lease Contract contains no provision as to the right to assign.	SAR 120,000
27.	Lease Contract of the Accommodation of Building Construction Company's Employees- No. 5 Residential units No. 1, 2, 3, 4, 5, and 6 of a housing building, located at 7320, Baqeeq, South AlKhobar District, AlKhobar, 4997-34622.	Not specified	Abdul-Rahman Abdullah Abdul-Rahman Al-Amoudi (ID Card No. 1061582191)	Building Construction Company Limited (CR No. 2051023581)	Two (2) years commencing as of 01/01/2020G, and ending on 31/12/2021G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lessee shall have no right to sublease the units to any other party. The Lease Contract contains no provision as to the right to assign.	SAR 105,000

No.	Description	Area (square meters)	Lessor	Lessee	Term including start and expiry	Renewal	Assignment and/ or Sublease	Annual Rent Value
28.	Lease Contract of the Accommodation of Building Construction Company Limited's Employees- No. 6 Residential units No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of a housing building, located at 6734, Shaqraa, Al-Thoqbah District, Al Khobar, 4388 - 34625.	Not specified	Marzouq Bin Ibrahim Bin Marzouq Al-Meweed (ID Card No. 1022157240)	Building Construction Company Limited (CR No. 2051023581)	Three (3) years commencing as of 15/12/2019G, and ending on 14/12/2022G.	Renewable by mutual agreement between the parties by signing a new contract.	The Lessee shall have no right to sublease the units to any other party. The Lease Contract contains no provision as to the right to assign.	SAR 140,000
29.	Lease contract for employee accommodation Rossa-T15 housing unit located in Retal Residential Complex in Khobar, Al-Sadafa district	Not specified	Nesaj Real Estate Development Compound (Commercial Registration No. 2051057194)	Retal Urban Development Company (Commercial Registration No. 2051047761)	One year commencing as of 23/07/2020G and ending on 22/07/2021G (Automatically renewed)	Renewable for a similar period or periods unless one of the parties notifies the other of its unwillingness to renew.	The Lessee is not entitled to assign the lease agreement or sublet the property to any other party without the prior written consent of the landlord.	SAR 148,000
30.	Lease contract for employee accommodation Located in: Retal Residential Compound, AlKhobar, AlSedfa District	Not specified	Nesaj Real Estate Development Compound (Commercial Registration No. 2051057194)	Retal Urban Development Company (Commercial Registration No. 2051047761)	One year commencing as of 20/08/2021G and ending on 19/08/2022G (Automatically renewed)	Renewable for a similar period or periods unless one of the parties notifies the other of its unwillingness to renew.	The Lessee is not entitled to assign the lease agreement or sublet the property to any other party without the prior written consent of the landlord.	SAR 168,000

Source: the Company

12.7.3 Real Estate Licenses and Permits

The table below shows a summary of the real estate licenses and permits of the Company and its Subsidiaries in relation to their ongoing projects:

Table (12-36): Real Estate Licenses and Permits:

No.	Project Name	Loca-tion	License No.	Class	Issued For	Issued By	Date of Issue	Date of Expiry
Building Licenses								
1.	Ayala Al-Nakheel	Block 16 - Al Khobar	4203177494	Construction License	Retal Urban Development Company	Eastern Province Municipality	23/03/1442H.	Not applicable
2.	Ayala Al-Nakheel	Block 17 - Al Khobar	4203180198	Construction License	Retal Urban Development Company	Eastern Province Municipality	29/03/1442H.	Not applicable
3.	Ayala Al-Nakheel	Block 20 - Al Khobar	4204182175	Construction License	Retal Urban Development Company	Eastern Province Municipality	03/04/1442H.	Not applicable
4.	Ayala Al-Nakheel	Block 21 - Al Khobar	42085398258	Construction License	Retal Urban Development Company	Eastern Province Municipality	01/08/1442H.	Not applicable
5.	Ayala Al-Nakheel	Block 24 - Al Khobar	42085384494	Construction License	Retal Urban Development Company	Eastern Province Municipality	10/08/1442H.	Not applicable
6.	Nesaj Town Al Khobar	Al Khobar	42065127486	Construction License	Retal Urban Building Development Company	Eastern Province Municipality	05/06/1442H.	05/06/1445H
7.	Nesaj Town, Al Khobar	Al Khobar	42065127398	Construction License	Retal Urban Development Company	Eastern Province Municipality	05/06/1442H.	05/06/1445H
8.	Nesaj Town, Al Khobar	Al Khobar	42055111831	Construction License	Retal Urban Development Company	Eastern Province Municipality	05/06/1442H.	Not applicable
9.	Nesaj Town, Al Khobar**	Al Khobar	3/1434/010259	Construction License (Title Transfer and Renewal)	Retal Urban Building Development Company	Eastern Province Municipality	21/04/1442H.	One (1) year as of the date of issue (20/04/1443H.)
10.	Nesaj Town, Al Khobar**	Al Khobar	3/1434/010247	Construction License (Title Transfer and Renewal)	Retal Urban Development Company	Eastern Province Municipality	26/04/1442H.	One (1) year as of the date of issue (25/04/1443H.)
11.	Nesaj Town, Al Khobar**	Al Khobar	3/1434/060247	Construction License (Title Transfer and Renewal)	Retal Urban Development Company	Eastern Province Municipality	21/04/1442H.	One (1) year as of the date of issue (20/04/1443H.)
12.	Nesaj Town, Al Khobar**	Al Khobar	3/1434/010260	Construction License (Title Transfer and Renewal)	Retal Urban Development Company	Eastern Province Municipality	21/04/1442H.	One (1) year as of the date of issue (20/04/1443H.)
13.	Nesaj Town, Al Khobar**	Al Khobar	3/1434/060252	Construction License (Title Transfer and Renewal)	Retal Urban Development Company	Eastern Province Municipality	21/04/1442H.	One (1) year as of the date of issue (20/04/1443H.)
14.	Nesaj Town, Al Khobar	Al Khobar	0/1442/000565	Construction License	Retal Urban Development Company	Eastern Province Municipality	02/09/1442H.	Three (3) years as of the date of issue (01/09/1445H.)

No.	Project Name	Loca-tion	License No.	Class	Issued For	Issued By	Date of Issue	Date of Expiry
15.	Nesaj Town, Al Khobar	Al Khobar	3/1434/010483	Construction License	Retal Urban Building Development Company	Eastern Province Municipality	02/09/1442H.	One (1) year as of the date of issue (01/09/1443H.)
16.	Retal Rise (Application for issuing a License)	Al Khobar	0/1442/0000642	Application for issuing a License	Retal Urban Development Company	Eastern Province Municipality	28/09/1442H.	Not applicable
Off-Plan Sale Licenses								
17.	Ayala Al-Nakheel	Al Khobar	97	Off-Plan Sale License	Retal Urban Development Company	Off-Plan Sale or Lease Committee	09/03/2021G.	08/03/2022G.
18.	Nesaj Town2*	Al Khobar	73/A	Off-Plan Sale License	Retal Urban Development Company	Off-Plan Sale or Lease Committee	08/06/2020G.	07/06/2022G.
19.	Nesaj Town, Riyadh*	Riyadh	79/A	Off-Plan Sale License	Retal Urban Development Company	Off-Plan Sale or Lease Committee	28/02/1442H.	Not available

Source: the Company

* The Company obtained an initial approval from MoMRAH with regard to: (1) Nesaj Town 2 and (2) Nesaj Town, Riyadh.

** As of the date of this Prospectus, the residential units have been constructed and the Company no longer requires said permits.

12.8 Transactions and Contracts with Related Parties

The Directors confirm that none of the agreements with Related Parties described under this section contain preferential conditions, and have been concluded in accordance with the laws and regulations on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor in respect of the Offering.

Moreover, the Directors acknowledge their intention to comply with Articles 71 and 72 of the Companies Law and Article 46 of the Corporate Governance Regulations issued by the CMA in relation to contracts with the Related Parties. The General Assembly has approved all dealings and contracts with Related Parties on 22/12/1442H (corresponding to 01/08/2021G), the General Assembly dated 22/03/1443H (corresponding to 28/10/2021G) and the General Assembly dated 04/04/1443H (corresponding to 09/11/2021G), and the General Assembly dated 21/06/1443H (corresponding to 24/01/2022G). The total value of transactions with Related Parties approved in the general assembly amounted to 22.1 million Saudi Riyals, 295.1 million Saudi Riyals, 272.5 million Saudi Riyals and 799.3 million Saudi Riyals, respectively, representing 1.4%, 19.1% and 17.6% and 51.7% of the Company's total assets for the Period Ended 30 September 2021G, respectively.

Under its transactions with Related Parties, the Company offers engineering consultancy services; implementation oversight, construction, and finishing work; as well as offers administrative services, investing in an investment fund, and lease contracts.

12.8.1 Mimar Emirates and Arac Engineering Consultancy Services Agreement

On 17/05/1442H (corresponding to 01/01/2021G), the Company has entered into a service agreement with Mimar Emirates and Arac Engineering Consultants, a Related Party, as 26.25% of the shares capital thereof is indirectly owned by Abdullah Al-Braikan, a member of the Board.

Under such agreement, the Company offers IT, human resources, and government relations services, as well as financial and legal management services to Mimar Emirates and Arac Engineering Consultants. The Company charges time-based fees charged for the work performed by the service provider, with a fixed rate ranging between SAR 30-145 per hour, as per the professional experience of the service provider. The agreement expires on 31/12/2021G. As of the date of this Prospectus, the service agreement is concluded on an arm's length basis.

12.8.2 Related Party Leases

The following table shows the details of substantial real estate leased by the Company from Related Parties:

Table (12-37): Lease Agreements with Related Parties

	Description of the Leased premises	City	Lessor	Lessee	Lease Start	Duration	Renewal	Annual rent
1	Lease for a residential unit to be used as a family residence	Al Khobar	Nesaj Real Estate Development Compound*	The Company	23/07/2020G	One year	Renewable for a similar period or periods unless one of the parties notifies the other of its unwillingness to renew.	SAR 148,000
2	Lease for a residential unit to be used as a family residence	Al Khobar	Nesaj Real Estate Development Compound*	The Company	20/08/2021G	One year	Renewable for a similar period or periods unless one of the parties notifies the other of its unwillingness to renew.	SAR 168,000
3	Lease for a unit on the fifth floor of Retal Business Center	Al Khobar	Mimar Emirates and Arac Engineering Consultancy**	The Company	05/07/2020G	3 Years	By mutual agreement between the two parties, unless one of the parties notifies the other party of its unwillingness to renew at least six (6) months prior to the expiry of the contract.	SAR 70,265
4	Commercial building lease contract	Al Khobar	United Homeware Company Ltd.	The Company	01/01/2020G	10 Years	Automatically renewed for a similar period unless one of the parties notifies the other of its unwillingness to renew two months prior to contract expiry.	SAR 4,042,500
Total Annual Rent of Related Parties								**SAR 4,428,765**

Source: the Company

* Deemed a Related Party, because the following members of the Company's Board of Directors, Mr. Abdullah Abdullatif Al-Fozan, Mr. Ali Abdullatif Al-Fozan, and Mr. Fozan Muhammad Al-Fozan hold indirect ownership percentages of 8.1%, 8.1% and 4.5% of the capital thereof, respectively. While Board member Mr. Abdullah Al-Braikan, currently occupies the position of Chairman of the Board of Directors in Nesaj Real Estate Development Compound.

** Deemed a Related Party, because Board member, Mr. Abdullah Al-Braikan, owns an indirect ownership percentage of 26.25% of the capital thereof.

*** Deemed a Related Party, because Mr. Abdullatif Ali Al-Fozan, Chairman of the Board of Directors of United Homeware Company, is a relative of Mr. Abdullah bin Abdullatif Al-Fozan, Chairman of the Board, and Mr. Ali Abdullatif Al-Fozan, Vice Chairman of the Board of Directors.

12.8.3 Investment in Al-Ahsa Real Estate Fund

The Company invested SAR 100 million in the Al-Ahsa Real Estate Fund on 20/02/1443H (corresponding to 27/09/2021G) in exchange for units in the Fund. It should be noted that the Blominvest Saudi Arabia is the manager of the Al-Ahsa Real Estate Fund, and it is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%. In addition, Mr. Abdullah Al-Braikan, a Board member, is also a member of the Board of Directors of the Al-Ahsa Real Estate Fund. As of the date of this Prospectus, the investment is on a purely arm's length basis.

12.8.4 Preliminary Development Agreement for the Retal Business Park

On 20/02/1443H (corresponding to 27/09/2021G), the Company entered into a development agreement in principle with the Business Park Fund, which is represented by the Fund Manager, Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

Under this agreement, the Company will develop and supervise the development of the real estate project owned by the Fund, which is the construction of a complex containing offices and other facilities with a total area of 33,579 square meters according to the plans and designs proposed between the two parties. The fees for services due to the Company are calculated at a specific percentage of the development costs based on invoices approved by the consultant and the Business Park Fund, in addition to the fees for good performance with a specific percentage of the net profit. The term of the agreement expires 24 months from the date of receipt of the first financial payment. The concluded development agreement is on a purely arm's length basis.

12.8.5 Joint Acquisition of Land with Retal Business Park Project

On 07/01/1443H (corresponding to 15/08/2021G), the Company entered into a real estate partnership agreement, as amended by Appendix (1) on 16/12/2021G with Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

The Company and the Blominvest Saudi Arabia purchased a plot of land with title deed number 396426002202 for a total amount of 60,237,007 Saudi Riyals, and participated therein for 50% to contribute in kind to the land in the Business Park Fund in exchange for 60,000,000 units (where the Company owns 30,118.5 units) of the Business Fund units Park, managed by Blominvest Saudi Arabia. The concluded partnership agreement is on a purely arm's length basis.

12.8.6 Investment in the Business Park Fund

The Company invested 60,237,007.95 Saudi Riyals in the Business Park Fund on 16/05/1443H (corresponding to 20/12/2021G) for 60,000,000 units in the Fund, which is managed by Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

12.8.7 Commitment to Purchase Real Estate Agreement for the Nesaj Town Al-Ahsa Project

On 23/01/1443H (corresponding to 31/08/2021G), the Company entered into a commitment to purchase real estate agreement with the Al-Ahsa Real Estate Fund, which is represented by the Fund Manager, Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%. In addition, Mr. Abdullah Al-Braikan, a Board member, is also a member of the Board of Directors of the Al-Ahsa Real Estate Fund.

Under this agreement, Al-Ahsa Real Estate Fund is obligated to purchase the entire land from the owner of the Fund, and the Company has committed to purchase 350,000 thousand square meters of the land from the Fund for 330,554,000 Saudi Riyals, on the basis that the Fund will grant the Company the exclusive right to develop and market the project, provided that a formal development agreement is signed. The commitment to purchase real estate agreement was entered into on a purely arm's length basis.

12.8.8 Development Agreement for Nesaj Town Al-Ahsa Project

On 02/02/1443H (corresponding to 09/09/2021), the Company entered into a development agreement with the Al-Ahsa Real Estate Fund, which is represented by the Fund Manager, Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%. In addition, Mr. Abdullah Al-Braikan, a Board member, is also a member of the Board of Directors of the Al-Ahsa Real Estate Fund.

Under this agreement, the Company will develop and market the real estate project owned by the Fund, comprising of residential and commercial lands with a total area of 395,573 thousand square meters in return for the right to exclusively market the project in cooperation with Innovest Properties for a period of 24 months. During the marketing period, the Company will be paid a 2.5% commission from buyers. The development agreement was entered into on a purely arm's length basis.

12.8.9 Development and Marketing Agreement for the Retal Blue Project

On 31/10/2021G, the Company entered into a development and marketing agreement with the AlKhaleej AlArabi Resorts Fund, which is represented by the Fund Manager, Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

Under this agreement, the Company is committed in principle to developing and marketing a resort project, considering that this commitment is related to the establishment of the AlKhaleej AlArabi Resorts Fund, and said Fund's purchase of the land for the project from the Company and Mohammed Al-Nahdi. The fees for services due to the Company are calculated at a specific percentage of the development costs based on invoices approved by the consultant and the Business Park Fund, in addition to good performance fees with a partial percentage paid to the Fund Manager and a specific percentage to the Company. This agreement is considered approved from the date of its signature and will remain in effect until liquidation of the fund. The concluded development and marketing agreement is on a purely arm's length basis.

12.8.10 Commitment for Sale Agreement for the Retal Blue Project

On 31/10/2021G, the Company entered into a commitment to sell agreement with Mohammed bin Salmeen bin Mubarak Al-Nahdi and the AlKhaleej AlArabi Resorts Fund, which is represented by the Fund Manager, Blominvest Saudi Arabia, which is a Related Party, as Mr. Abdullah bin Abdullatif Al-Fozan, who is the Chairman of the Board of Directors, holds a 1.95% indirect ownership therein, and Mr. Ali Abdullatif Al-Fozan, the Vice Chairman of the Board of Directors, also holds 1.95% indirect ownership, and Board member Mr. Fozan Al-Fozan holds 1.5%.

Under this agreement, the AlKhaleej AlArabi Resorts Fund commits to purchase two plots of land with a surface area of 500,000 square meters from the Company and Mohammed bin Salmeen bin Mubarak Al Nahdi for 225,000,000 Saudi Riyals. The concluded commitment agreement is on a purely arm's length basis.

12.9 Credit Facilities and Contracts

The tables below set out a summary of the credit facilities and contracts concluded between the Company and several banks:

Table (12-38): Facility Agreement between the Company and the Arab National Bank (ANB) dated 16/12/2020G, as amended pursuant to the amendment agreement dated 23/11/2021G, for a total amount of SAR 308,590,832:

Type of Facilities / Purpose / Amount	**Tawarruq Facility:** • Limit: SAR 150,000,000. • Purpose: a partial financing of new off-plan development projects. • Profit Margin: SIBOR + 1.75% p.a. for housing projects and +2% p.a. for private projects • Availability Period: 3 months from the date of activation of the limit • Term: 36 months (with a grace period of 9 months) **Letters of guarantee** • Limit: SAR 50,000,000 • Fee: SAMA fee for the initial and final guarantees (performance guarantee) / 0.5% for advance and payment guarantees. • Purpose: issuing letters of guarantee in favor of beneficiaries acceptable to the bank, including from the private sector. • Duration: for the initial and payment guarantees: one year / for the final (performance guarantee) and advance payment guarantees: five years.
Amounts Drawn Down	As of 30/09/2021G, c. SAR 108,577,923.
Term	Expires on 31/07/2022G.
Collateral	These facilities are guaranteed by way of the following: • A registered mortgage on the land for up to 80% of the limit. • A mortgage submitted by the Company dated 16/12/2020G in relation to the title deeds no.: 394057000666, 994057000667, 394057000664, 994057000665, 394057000668, 794057000669, 694057000670, 394057000663 and 330209007780. • A mortgage submitted by Nesaj Urban Development Company dated 16/12/2020G regarding title deeds no.: 694057000675, 694057000680, 694057000679, 994057000678, 394057000674, 294057000673, 494057000677 and 994057000676. • Possession of the collection account relating to the payments made relating to the project. • An order note dated 23 November 2021G for SAR 108,590,832 was signed by the Company. • Joint and several guarantee by Abdullatif and Mohammed AlFozan Holding Company. • An order note dated 23 November 2021G for SAR 200,000,000 was signed by the Company and guaranteed by Abdullatif and Mohammed AlFozan Holding Company.

Source: the Company

Table (12-39): Two Facility Agreement between the Company and Riyad Bank dated 10/11/2021G for a total amount of SAR 232,600,000

Type of Facilities / Purpose / Amount	**Tawarruq Facility:** • Limit: SAR 100,000,000. • Purpose: to finance the working capital. • Commission: between 0.02% and 0.05%. • Tawarruq Facility • Limit: SAR 82,600,000. • Commission: between 0.02% and 0.05%. **Letters of Guarantee:** • Limit: SAR 50,000,000. • Commission: the tariff rate. • Riyad Bank allows related group companies and Subsidiaries (100% owned by the Company) to utilize the limit on the Company's full responsibility: Tadbeir Real Estate Company, Nesaj Real Estate Development Company, Building Construction Company Limited, and Wejha United Real Estate Company.
Amounts Drawn Down	As of 30/09/2021G, c. SAR 78,928,738 and c.50,000,000.
Term	Expires on 08/11/2022G, 11/11/2023G, and 01/08/2024G.
Collateral	These facilities are guaranteed by way of the following: • Assignment of the proceeds of the financed project in favor of the Bank and transfer to an escrow account at the Bank. • An acknowledgment of mortgage registered on 10/11/2021G in relation to the title deeds no.: 394052001954, 394052001955, 994052001960, 730210004765, 330217000583, 930217000584, 930216000672, 330215000617, 730217000586, 630216000670, 330216000671, 630217000585,73208011952, 530208011948, 830208011949, 330208011950, 630208011951, 930208011947, 330210005378, 930210005365, 330210005367, 530203014914, 330203014906, 830210005364, 930210005369, 230210005368, 318502000141,394041001492, 330208011394, 494916002146 and 794916002147 • A mortgage dated 08/11/2020G in relation to the title deeds no.: 430208008422, 330208008423, 430214003031, 330214003032, 33021003044, 730214003045, 930214003047, 330208008391, 530208008392, 230208008394, 830208008395, 330208008396, and 730208008397. • A joint corporate performance guarantee from Abdullatif and Mohammed Al Fozan Holding Company. • The Company signed an order note on 08/11/2020G for SAR 202,150,700, with a guarantee given by Abdullatif and Mohammed Al Fozan Holding Company. • A joint corporate performance guarantee from Abdullatif and Mohammed Al Fozan Holding Company. • The Company signed an order note on 10/11/2021G for SAR 239,500,000, with a guarantee given by Abdullatif and Mohammed Al Fozan Holding Company.

Source: the Company

Table (12-40): Facility between the Company and Al Bilad Bank dated 28/01/2021G, as amended by an amendment agreement dated 08/02/2022G, for a total amount of SAR 262,905,000

Type of Facilities / Purpose / Amount	**Deferred Sale Facility – Deferred Sale Financing (non-revolving):** • Limit: SAR 72,905,000. • Purpose: to develop the Ayala Al-Nakheel project. • Profit Margin: SIBOR (3 months) + 1.65% per annum (consecutive Murabaha). • Availability Period: 12 months from the first use. • Term: 24 Months and repayment at termination date or by deducting 55% of the project's revenues **Deferred Sale Facility – Deferred Sale Financing (non-revolving):** • Limit: SAR 60,000,000. • Purpose: for the purchase of a land and the development of Tharwa Town Residential Project. • Mark-up (Profit Margin): SIBOR (3 months) + 1.65% per annum (consecutive Murabaha). • Availability Period: 12 months from the first use. • Term: 24 Months and repayment at termination date or by deducting 75% of the proceeds from the sale of the land of the Tharwa project. **Deferred Sale Facility – Deferred Sale Financing (non-revolving):** • Limit: SAR 100,000,000. • Purpose: Financing 100% of the Company's stake in Al-Ahsa Real Estate Fund. • Mark-up (Profit Margin): SIBOR (3 months) + 1.8% per annum (consecutive Murabaha). • Availability Period: 12 months from the first use. • Term: 36 months. **Deferred Sale Facility – Deferred Sale Financing (non-revolving):** • Limit: SAR 30,000,000, with the possibility of reducing the maximum limit to SAR 15,000,000 in the event that real estate guarantees are not provided against the limit of that facility. • Purpose: Financing the working capital. • Mark-up (Profit Margin): SIBOR (3 months) + 1. 5% per annum. • Availability Period: 12 months from the first use. • Term: 24 months with lump sum repayment at maturity.
Amounts Drawn Down	As of 30/09/2021G, SAR 94,999,430.
Term	Expires on 22/06/2022G.
Collateral	• Assignment of proceeds of Tharwa Town Residential Project in favor of Albilad Bank. • Assignment of proceeds of Ayala Alnakeel Project in favor of Albilad Bank. • Real estate mortgage on the land of Tharwa Town Residential Project in favor of Albilad Bank to guarantee the facility with a limit of SAR 60,000,000. • Mortgage the Company's units in the Al-Ahsa Real Estate Fund in favor of Albilad Bank with a coverage rate of 100% for the facility with a limit of SAR 100,000,000. • Real estate mortgage with coverage rate of not less than 100% in favor of Albilad Bank for the facility, with a limit of SAR 30,000,000. • A joint and several guarantee of Abdullatif and Mohammed AlFozan Holding Company to guarantee all facilities.

Source: the Company

Table (12-41): Facility Agreement between the Company and Al-Rajhi Bank dated 05/12/2021G for a total amount of SAR 238,700,000

Type of Facilities / Purpose / Amount	**(A) Facility Agreement (A)** • Facility for the purpose of financing general working capital requirements • Limit: SAR 102,000,000. • Purpose: to finance working capital requirements. 1- Deferred Sale Facility (Sub Limit) - Limit: SAR 70,500,000. - Purpose: to support the cash deficit of the Company's projects and finance 80% of the approved bills, excluding the last two bills. - Mark-up (profit margin) SIBOR + 1.5% p.a. - Term: 6 months. 2- Deferred Sale Facility (Sub Limit) - Limit: SAR 31,500,000. - Purpose: to support the cash deficit of the Company's projects and finance 80% of the approved bills, excluding the last two bills. - Mark-up (profit margin) SIBOR + 1.5% p.a. - Term: 36 months. **(B) Facility Agreement (B)** • Facility for the purpose of financing general working capital requirements • Limit: SAR 136,700,000. • Purpose: to finance working capital requirements. 1- Deferred Sale Facility (Sub Limit) - Limit: SAR 91,700,000. - Purpose: Financing new projects, subject to the Bank's approval. - Mark-up (profit margin) SIBOR + 1.75% p.a. - Term: 60 months. 2- Deferred Sale Facility (Sub Limit) (Reserve) - Limit: SAR 45,000,000. - Purpose: Re-pricing of SIBOR. - Mark-up (profit margin) SIBOR + 1.5% annually. - Term: One month.
Amounts Drawn Down	As of 30/09/2021G, c. SAR 52,700,000 and SAR 101,972,420.
Collateral	• A registered real estate dated 05/12/2021G in relation with the title deed no. 730213001954. • A waiver of the Company's project dues, signed on 05/12/2021G. • An order note dated 05/12/2021G in the amount of SAR 103,239,449, signed by the Company. • An order note dated 05/12/2021G in the amount of SAR 71,356,678, signed by the Company. • An order note dated 05/12/2021G in the amount of SAR 34,882,000, signed by the Company. • An order note dated 05/12/2021G in the amount of SAR 45,085,250, signed by the Company.

Source: the Company

12.10 Insurance

The Company maintains insurance policies covering different types of risks to which it may be exposed. The following table sets out the key details of the insurance policies held by the Company and its Subsidiaries:

Table (12-42): Details of Insurance Policies

	Type	Company	Policy Number	Insurer	Duration	Sum Insured (SAR)	Coverage
1.	Property insurance	Retal Urban Development Company	P/100/3402/21/000034	Gulf Union Cooperative Insurance	From 01/03/2021G till 28/02/2022G	SAR 42,000,000	Loss of rentals; a 10-storey office building located in Al Rawabi, Al Khobar; and Assets, such as furniture, fixtures and connections
2.	Motor Insurance	Tadbeir Limited Company	P/100/2902/21/001518	Gulf Union Cooperative Insurance	From 21/10/2021G till 20/10/2022G	SAR 10,000,000	Accidental loss or damage to any insured vehicle or the accessories thereof; and third party liability.
3.	General Liability Insurance	Tadbeir Limited Company	PLI/31815	Allianz Saudi Fransi Cooperative Insurance	From 08/03/2021G till 07/03/2022G	SAR 10,000,000	Third party liability in the event of accidental death or physical injury, and / or accidental loss or damage of property.
4.	Mandatory Cooperative Health Insurance Group Health Insurance Policy 1	Retal Urban Development Company	52039333	Tawuniya	From 01/01/2022G till 31/12/2022G	SAR 500,000 per person during the insured year	Anesthetization and outpatient clinics.
5.	Mandatory Cooperative Health Insurance Group Health Insurance Policy 1	Building Construction Company Limited	52039304	Tawuniya	From 01/01/2022G till 31/12/2022G	SAR 500,000 per person during the insured year	Anesthetization and outpatient clinics.
6.	Mandatory Cooperative Health Insurance Group Health Insurance Policy 1	Nesaj Real Estate Development Company	52039354	Tawuniya	From 01/01/2022G till 31/12/2022G	SAR 500,000 per person during the insured year	Anesthetization and outpatient clinics.
7.	Mandatory Cooperative Health Insurance Group Health Insurance Policy [1]	Tadbeir Real Estate Limited Company	52039092	Tawuniya	From 01/01/2022G till 31/12/2022G	SAR 500,000 per person during the insured year	Anesthetization and outpatient clinics.

Source: the Company

(1) The health insurance policy for the Company's and its Subsidiaries' employees is subject to a group health insurance policy for Al-Fozan Group.

12.11 Intellectual Property

12.11.1 Trademarks

The Company and its Subsidiaries have registered a number of trademarks with the Commercial Trademarks Department of the MOC on which they rely as a brand for their respective businesses. The Company and its Subsidiaries rely on these trademarks to ensure the success of their businesses and support their competitive position in the market. Therefore, if the Company or its Subsidiaries are unable to protect their trademarks or if either of them is forced to take legal action necessary to protect the same, this can have an adverse effect on their ability to use them, which would affect their businesses and results of their operations. For more details, see Section 2.1.15. (“**Protecting certain trademarks on which the Company relies**”).

The following table sets out the main details of all of the Group’s registered trademarks currently in use.

Table (12-43): Details of Registered Trademarks

	Company	Country of Registration	Trademark Number	Expiry Date	Classification	Logo
1.	Retal Urban Development Company	Saudi Arabia	1438025169	15/11/ 1448H (corresponding to 22/04/2027G)	37	
2.	Retal Urban Development Company	Saudi Arabia	1440005366	29/02/1450H (corresponding to 22/07/2028G)	36	
3.	Retal Urban Development Company	Saudi Arabia	1440005368	29/02/1450H (corresponding to 22/07/2028G)	37	
4.	Retal Urban Development Company	Kingdom of Saudi Arabia	1436002876	08/02/1446H (corresponding to 12/08/2024G)	35	
5.	Retal Urban Development Company	Kingdom of Saudi Arabia	1436002875	08/02/1446H (corresponding to 12/08/2024G)	36	
6.	Building Construction Company Limited	Saudi Arabia	1442001042	06 /01/ 1452H (corresponding to 09/05/2030G)	37	
7.	Nesaj Real Estate Development Company	Saudi Arabia	1442001045	06 /01/ 1452H (corresponding to 09/05/2030G)	37	
8.	Retal Urban Development Company	Saudi Arabia	1442013021	22/04/1452H (corresponding to 22/08/2030G)	36	

	Company	Country of Registration	Trademark Number	Expiry Date	Classification	Logo
9.	Retal Urban Development Company	Saudi Arabia	1442022803	18/07/1452H (corresponding to 14/11/2030G)	36	مراسي الخبر marasi AL KHOBAR
10.	Retal Urban Development Company	Saudi Arabia	1443007083	25/02/1453H (corresponding to 16/06/2031G)	36	R RETAL RISE رتال رايز
11.	Retal Urban Development Company	Saudi Arabia	1443007089	25/02/1453H (corresponding to 16/06/2031G)	36	نساج تاون

Source: the Company

12.11.2 Other Intellectual Property Rights

Table (12-44): Details of Internet Domain Names

	Company	Internet Domain Name	Registrar	Expiry Date
1.	Retal Urban Development Company	retal.com.sa	STC Solutions	30/12/2022G
2.	Retal Urban Development Company	bcc-sa.com	GoDaddy	12/5/2023G
3.	Tadbeir Real Estate Limited Company (Expired)	trs.sa	STC Solutions	24/11/2021G
4.	Tadbeir Limited Company (Expired)	tadbeir.com tadbeir.com.sa	GoDaddy	24/11/2021G
5.	Nesaj Real Estate Development Company	nesaj.sa nesaj.com.sa	STC Solutions	30/12/2022G
6.	United Wasm Real Estate Appraisal Company	wasm.utd.sa	STC Solutions	8/2/2023G
7.	Retal Urban Development Company	arac-sa.com	GoDaddy	11/2/2022G
8.	Retal Urban Development Company	aracdesign.com	GoDaddy	11/2/2022G
9.	Retal Urban Development Company	itlalah.com	GoDaddy	2/2/2023G
10.	Retal Urban Development Company	quickfruits.com	GoDaddy	16/12/2022G
11.	Retal Urban Development Company	ret.al	101domain	3/3/2022G
12.	Retal Urban Development Company (Expired)	retal.group	GoDaddy	16/4/2021G
13.	Retal Urban Development Company (Expired)	رتال.com	GoDaddy	18/12/2021G
14.	Retal Urban Development Company	retalcommunication.group	GoDaddy	6/6/2022G
15.	Retal Urban Development Company (Expired)	nesajtown.com	Wix	26/11/2021G

Source: the Company

12.12 Litigation

The table below indicates the summary of disputes filed by or against the Company and its Subsidiaries as of the date of this prospectus:

Table (12-45): Summary of disputes filed by or against the Company and its Subsidiaries

	Company / Subsidiaries	Summary of Dispute	Status	Financial Value of the Dispute
1.	Defendant	The Plaintiff filed a lawsuit against the Company before the General Court in Khobar regarding an unpaid amount of SAR 257,043.	A final court ruling was issued dismissing the case.	Not Applicable
2.	Defendant	The Plaintiff filed a lawsuit against Nesaj Urban Development Company regarding an unpaid amount of SAR 148,000.	A final court ruling was issued in favor of the Plaintiff.	SAR 138,073
3.	Plaintiff	The Company filed a lawsuit against Mahnaa Marawi Al Khaldi before the Enforcement Court in Dammam, regarding the enforcement of a promissory note for an amount of SAR 1,328,250.	A final court ruling was issued in favor of the Plaintiff.	SAR 356,778
4.	Plaintiff	The Company has filed a lawsuit against Arabian Housing & Construction Group before the Enforcement Court in Dammam, regarding the enforcement of a promissory note for an amount of SAR 231,949.	A final court ruling was issued in favor of the Plaintiff.	SAR 231,949

Source: the Company

As of the date of this Prospectus, the Company is not involved in any litigation, lawsuits, actual or possible complaints, or existing investigations, which would, individually or collectively, have a material effect on the Company or its Subsidiaries, nor it is aware of any threatened or pending material litigation, or any facts which may, individually or collectively, give rise to a material effect on the Company and its Subsidiaries.

12.13 The Zakat Status of the Company and its Subsidiaries

The Company and its Subsidiaries are subject to the laws and regulations of ZATCA. Zakat is provided on an accrual basis and is computed and charged based on Zakat base (in accordance with the regulations of ZATCA). Adjustments, if any, are made to the Zakat provision when the final assessments are obtained from the ZATCA.

The table below indicates the Zakat payables of the Company and its Subsidiaries as of 31 December 2018G, 2019G and 2020G and the period ended 30 September 2021G.

Table (12-46): The Zakat payable of the Company and its Subsidiaries as of 31 December 2018G, 2019G and 2020G and the period ended 30 September 2021G.

	Company	2018G (SAR)	2019G (SAR)	2020G (SAR)	Period Ended 30 September 2021G (SAR)
1.	Retal Urban Development Company	3,311,400	4,630,457	4,710,501	5,205,879
2.	Nesaj Real Estate Development Company	600,000	540,224	213,668	1,090,539
3.	Tadbeir Limited Company	-	50,251	-	-
4.	Building Construction Company Limited	511,400	692,863	896,833	1,624,720
5.	Tadbeir Real Estate Limited Company	-	-	-	-
6.	Remal Real Estate - Al Khobar	-	-	-	-

Source: the Company

Retal, Tadbeir Limited Company, Nesaj Real Estate Development, and Building Construction Company Limited submitted their Zakat returns on an individual basis until 2015G. From 2016G to 2019G, the Group submitted its Zakat returns through the parent company (Al Fozan Holding Company). The parent company submitted Zakat and tax returns for the fiscal years up to 2019G. The Group also submitted its Zakat returns individually for financial year 2020G, and Zakat and taxes dues were paid within the required time. The Group obtained the Zakat certificates from the ZATCA for all years until 2020G, when the Group received its final Zakat certificate.

The ZATCA issued the final assessment for Al Fozan Holding Company (including Retal Group) for 2018G. The ZATCA demanded that Al Fozan Holding Company pay additional Zakat, and Al Fozan Holding Company objected to said assessment, with the objection rejected by the ZATCA. Accordingly, Al Fozan Holding Company escalated the objection before the tax committees, which ruled in favor of Al Fozan Holding Company, with the ruling becoming final as the ZATCA did not appeal the decision of the preliminary committee within the 30 day period prescribed by law. Accordingly, the ZATCA has no claim against the Group for additional 2018G Zakat.

With regard to Al Fozan Holding Company's 2016G, 2017G and 2019G fiscal years, the ZATCA has not issued any final assessments related thereto until the date hereof.

The ZATCA also submitted a final Zakat assessment for 2015G in the amount of SAR 236,337 for Retal Company and SAR 292,743 for the Building Construction Company Limited. Both companies settled the balance without any objections and paid the claims amounts through Zakat allocations. ZATCA has not issued any final assessments for the 2013G, 2014G and 2020G fiscal years.

The Group submitted Zakat returns until the fiscal year ended 31 December 2020G and obtained the required certificates and official receipts. The Group received final assessments from the ZATCA for the fiscal year ended 31 December 2018G, and subsequently received the final assessment for the fiscal year ended 31 December 2015G The Zakat assessments for the period since establishment of the Group until the fiscal years ended on 31 December 2014G and 2016G until 2020G remain under review, except for the fiscal year ended 31 December 2015G and 2018G. For more information, please refer to Section 2.3.5 ("**Risks associated with Zakat, VAT and Real Estate Transaction Tax**").

Except for the aforementioned, the members of the Board of Directors of the Company declare that, as of the date of this Prospectus, neither the Company nor its Subsidiaries have any existing Zakat claims or other obligations, and that they have an adequate zakat provision to cover any shortfall that may be detected when the final Zakat assessment is received from the ZATCA.

12.14 Summary of the Bylaws

12.14.1 Company's Name

The Company's name is Retal Urban Development Company (Saudi Closed Joint Stock Company).

12.14.2 Objectives of the Company

The Company carries out and undertakes the activities of construction, real estate activities, and administrative and supportive services. The Company practices its objectives in line with the rules and regulations, after receiving all the required licenses, if any, from the competent authorities.

12.14.3 Participation and Interest in Companies

The Company may participate in, or establish on its own, companies (limited liability or closed joint stock), provided that the capital thereof is not less than (SAR 5,000,000) five million Saudi Riyals.

12.14.4 Duration of the Company

The duration of the Company shall be fifty (50) Gregorian years, commencing as of the date on which the Company is registered at the commercial register as a joint stock company. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the expiration of the Company's term.

12.14.5 Head Office of the Company

The Company's head office shall be in the city of Al-Khobar, in the Kingdom of Saudi Arabia. The Board of Directors may establish branches or offices for the Company within or outside Saudi Arabia after gaining the required approval from the competent authorities.

12.14.6 Capital of the Company

The capital of the Company shall be 400,000,000 (four hundred million) Saudi Riyals, divided into 40,000,000 (forty million) shares of equal value, and the nominal value of each share shall be ten (10) Saudi Riyals of which 27,500,000 are cash shares and 12,500,000 are in-kind shares

12.14.7 Share Subscription

The Shareholders have subscribed to the full number of capital and in-kind shares equal to 40,000,000 shares, amounting to SAR 400,000,000. The paid-up capital equals 27,500,000 amounting to SAR 275,000,000 which has been deposited to Alinma Bank in the name of Retal Urban Development Company. Full subscription has been made to the in-kind shares, which equals 12,500,000 in-kind shares amounting to (SAR 125,000,000).

12.14.8 Sale of Non-Paid up Shares

Each Shareholder undertakes to pay the value of the shares on the dates set for such payment. Should a Shareholder fail to pay at the due time, the Board of Directors may, after notification of the Shareholder via email, fax, or registered mail, sell the share at public auction or through the stock market, as the case may be, in accordance with controls set by the competent authority.

The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the entire fortune of the Shareholder for the unpaid balance.

However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard.

The Company shall cancel the shares sold in accordance with this Article, and issue to the purchaser new shares bearing the serial numbers of the cancelled shares, and make a note to this effect in the Shares Register specifying the name of new holder.

12.14.9 Issuance of Shares

Company shares shall be nominal shares, which may not be issued at less than their nominal value, but may be issued at a value higher than said nominal value; in which case, the difference in value shall be added as a separate article relating to shareholder rights and may not be distributed as a shareholder dividend. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and they shall be jointly responsible for the obligations arising from ownership of said share.

12.14.10 Share Trading

Shares subscribed for by the Founders may only be traded after publishing the financial statements for two fiscal years, each covering a period of at least 12 months from the date of the decision approving the Company's incorporation. A notation shall be made on the respective share certificates, indicating their class, the date of incorporation of the Company, and the period during which their trading shall be suspended.

During the lock-up period, shares may, in accordance with the legal provisions for sale of rights, be transferred from one Founder to another, from the heirs of a deceased Founder to a third party, or in case of seizure of the funds of an insolvent or bankrupt Founder, provided that the other Founders are given priority to own such shares.

The provisions of this Article shall be applicable to the Founders in case of capital increase before the expiry of the lock-up period.

12.14.11 Shareholders' Register

Company shares shall be traded by virtue of an entry made to the Shareholders' Register maintained by the Company, which shall include the Shareholders' names, nationalities, residence addresses, and occupations; the numbers of the shares; and the amounts paid up on such shares. An annotation shall be made on the share indicating said entry. In as far as the Company or third parties are concerned, the transfer of shares shall only be effective from the date of the entry thereof in said register or upon completion of the procedure for transfer of shares through the electronic system of shares' information. Upon the subscription and ownership of shares, the Shareholder agrees to abide by the regulations of the Company and the decisions made by the Shareholders' Assembly under these Bylaws, regardless of whether the Shareholder is present or absent, agrees or disagrees with these decisions.

12.14.12 Capital Increase

The Extraordinary General Assembly may adopt a resolution to increase the Company's capital, provided that the original capital shall have been paid up in full. Said paid up provision shall not apply when the unpaid portion of capital is due to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not yet expired.

1- In any case, the Extraordinary General Assembly shall allocate capital increase shares or portions thereof to the employees of the Company and to the employees of all or some of its affiliates. Shareholders may not exercise pre-emptive rights upon the Company's issuance of shares allotted to employees.
2- Holders of shares at the time of the Extraordinary General Assembly's adoption of a resolution to increase the capital shall have pre-emptive rights to subscribe for the new shares, in exchange for cash shares. Shareholders shall be notified of their pre-emptive rights by publication in a daily newspaper or by registered mail stating the adoption of the resolution to increase capital, the terms of the offering, its duration, start and end dates.
3- The Extraordinary General Assembly may revoke the pre-emptive rights of shareholders to subscribe for the capital increase in exchange for cash shares, or vest said pre-emptive rights in non-shareholders when it deems that doing so is in the Company's best interest.
4- Shareholders may sell or assign their pre-emptive rights in the period that extends from the date upon which the General Assembly resolution is adopted to increase the capital until the last day open for subscription for the new shares associated with those rights, in accordance with the guidelines established by the competent authority.
5- Without prejudice to the provisions of Paragraph 4 hereof, new shares shall be allotted to the holders of pre-emptive rights who have expressed interest to subscribe thereto, in proportion to their pre-emptive rights resulting from the capital increase; provided that their allotment does not exceed the number of new shares they have applied for. Remaining new shares shall be allotted to pre-emptive right holders who have asked for more than their proportionate stake, in proportion to their pre-emptive rights resulting from the capital increase, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription, unless the Extraordinary General Assembly decides, or the Capital Market Law provides, otherwise.

12.14.13 Decrease of Capital

The Extraordinary General Assembly may resolve to reduce the Company's capital, if it proves to be in excess of the Company's needs, or if the Company sustains losses. In the latter case only, the Company's capital may be reduced below the limit prescribed under Article 54 of the Companies Law. A capital decrease resolution shall be issued, only after reading the auditor's special report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. If the capital reduction is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the area where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.14.14 Company's Management

The Company shall be managed by a Board of Directors composed of nine (9) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. As an exception, the shareholders appointed the first board of directors for a period of five (5) years.

12.14.15 Membership Termination

Board membership shall expire by the expiration of its term, or the expiration of Board member's term, in accordance with any law or instructions applicable in the Kingdom. Notwithstanding the foregoing, the Ordinary General Assembly may, at any time, dismiss one or all of the Directors, without prejudice to the terminated member's right to seek compensation from the Company, if dismissal were not properly justified or occurred at an inappropriate time. The Board member may also tender his resignation, provided that such resignation occurs at an appropriate time, otherwise, said member shall be held liable for any damage affecting the Company as a result of his resignation.

12.14.16 Membership Vacancy

If the position of a Board of Director's member becomes vacant, the Board of Directors may appoint a member to the vacant position temporarily, based on the number of votes received thereby at the Assembly meeting that elected the Board, to be selected from among experienced and competent candidates. Such appointment shall be notified to the Ministry within five (5) business days from the date of appointment, and shall be submitted to the Ordinary General Assembly at its first meeting. The new member shall complete the term of his predecessor. In case the number of board members becomes less than the quorum stipulated by the Companies Law or the Bylaws, the remaining Board members shall call the Ordinary General Assembly to convene within sixty (60) days to elect the required number of members.

12.14.17 Powers of the Board

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the Company, in order to achieve its objectives, and may participate in other companies where it also has the power to delegate one or more from its members or third parties to undertake a specific task(s). The Board of Directors also has the right to manage the Company's affairs and dispose of the Company's assets, properties, and real estates. Nevertheless, the Board may not sell or mortgage the Company's real estates except with the approval of the Ordinary General Assembly, taking into account the following conditions:

- The Board shall specify in its sale resolution the reasons and justifications for such resolution.
- The sale price shall be relatively close to the common or known price.
- The sale shall be immediate, except in urgent situations, while ensuring enough guarantees for such sale.
- Such sale shall not result in the termination of some of the Company's activities nor shall it result in more obligations on the Company. The Board may also appoint and dismiss employees and workers, request visas and recruit laborers from outside the Kingdom, sign contracts with them, specify their salaries, issue Iqamas, and transfer and waiver of employees' sponsorship. The Board may also sign loan contracts with governmental funds and financial institutions and commercial loans, while abiding by the following terms regarding commercial loans with a due date that exceeds three (3) years:
  - The conditions of the loan and the proposed guarantees shall not have a detrimental impact on the Company, its Shareholders, and the general guarantees given to its creditors.
  - The Board shall specify in its decision for the loan the different purposes of the usage of the loan and the payment methods to be used to pay back the loan.
  - The value of the loan that the Board is permitted to contract during any one (1) financial year shall not exceed 50% of the Company's capital. The Board of Directors has the right, under the circumstances it evaluates and deems relevant, to decide to discharge the Company's debtors from their debt obligations based on what is in best interest for the Company where the Board's record the terms of this decision shall include the following conditions:
    - The act of discharging the Company's debtors from their obligations shall be at least one year after the due date of the debt and where the Company undertook the regulatory procedures to request its debt during its due period.
    - The act of discharging the Company's debtors from their obligation is an authorized right to the Board of Directors and shall not be delegated.
    - The act of discharging the debtors shall be for a specified amount of debts, at most debts of one year, and one debt for each debtor.

12.14.18 Remuneration of Board Members

The remuneration of the Board of Directors shall comply with the Bylaws and the Companies Law and Regulations thereof. The report of the Board of Directors to the Ordinary General Assembly shall include a comprehensive statement of all remuneration, allowances, and other benefits received by Board members during the Fiscal Year. Furthermore, it shall contain a statement of payments made to members in their capacity as employees or executives, or in consideration for technical, administrative or consultancy assignments. The report shall also include the number of meetings held, and the number of meetings attended by each member from the date of the last Ordinary Assembly meeting.

12.14.19 Powers of the Chairman, Vice Chairman, Managing Director, and Secretary

The Board of Directors shall appoint, from amongst its members a Chairman and a Vice Chairman. The Board may also appoint a Managing Director. A single member may not concurrently hold the post of Chairman and any other executive position in the Company. The Chairman of the Board of Directors shall be in charge of representing the Company in sale and purchase, conveyance and acceptance thereof, in connection with land, real property, apartments and villas, and receipt of the price. He shall also have the power to give on lease and receive the rental, divide real estate and land and allocate the same, to mortgage and handover the price, to give on lease and receive the rental, to sign contracts related thereto and to the Company, to import, export, whatever realizes and interest for the Company, to participate in tenders and auctions, to purchase and participate in governmental contracts, to participate in companies, general and individual establishments and conclude the contracts in that regard, to sign all documents relevant in that regard, to execute contracts and supervise the same, to establish companies and establishments where the Company is a partner or to establish independent companies and establishments, to check with the Ministry of Commerce to incorporate such companies and establishments, to apply for and receive commercial registers and licenses, to add, delete and apply for commercial registers and licenses in lieu of lost ones and to delete the same, to sign articles of association of companies or companies where the Company participates, to have their articles notarized at the public notary office, to sign annexes or amendments of articles of association before the public notary and all concerned authorities, to withdraw from [such companies] and to sell all or part of the shares in such companies, or not to participate therein or to apply for the liquidation and deletion thereof, to approve and vote on behalf of the Company at founding or shareholders assemblies, to sell and purchase the shares, to accept assignment in connection with companies, to sign agreements and deeds before all official authorities, to trade in all commercial activities, shares, bonds, real properties, commercial and residential properties and others, to accept and effect registration upon purchase, conveyance and upon sale, preemptive rights, exchange, waive, takeover, handover and receive the price of sold items, to file claims, litigate, object, hear claims and answer the same, produce pieces of evidence, defend, accept judgments and object against the same, to give waivers in any lawsuit brought by or against the Company before any court and any authority. He shall have the right to request oath administration, hear and reject the same, to complete all Sharia'a and administrative procedures affecting the Company, to receive and collect amounts money from others, whether in cash or by checks, and from the concerned authorities, to open accounts, suspend the signatures of the parties at companies and establishments or of individuals. He shall have the right to open credits and guarantees, to sign loan agreements, without usrious interest, to receive and spend the same and deposit such loans at the Company's account, to open and manage investment portfolios of various kinds, to sell and purchase shares, to ask for finance, to open credits and facilities, to withdraw and deposit, to issue bank guarantees, to sign all papers, documents and checks, to open, establish and manage investment and real estate funds of various kinds, to purchase, sell and invest in personal shares or shares owned by others, such as shares in companies or individuals, to participate in managing such companies so as to enable the Company to acquire or obtain profits, to file pleadings and defenses on behalf of the Company, and to delegate others to undertake certain task(s). The Chairman shall have the broadest powers to manage the Company, lay down its policies, determine its investments, supervise its activities and funds, conduct its affairs within and outside the Kingdom. He shall have the right, by way of example but not as limitation, to represent the Company in its relations with third parties and governmental and private bodies, before Sharia'a courts, judicial authorities, Board of Grievances, Labor Offices, Labor Supreme and Preliminary Committees, Commercial Papers Committees, all other judicial committees, arbitration tribunals, Civil Rights Directorate, police stations, Chambers of Commerce and Industry, private organizations, companies and establishments of various kinds, Civil Defense Department, Ministry of Defense and branches thereof, Border Guards and branches thereof, Telecommunication Authority, all governmental agencies and departments, Passports Office, Traffic Department, Ministry of Commerce, Ministry of Foreign Affairs, Zakat, Tax, and Customs Authority, to cash, to pay, to claim, to file statements of claims and defense, to give releases, to settle, to ask for administration of oath and to deny the same, to hear witnesses, to accept judgments and object against the same, to request arbitration for the Company, to request enforcement of judgments and to collect whatever gained by way of enforcement. The Chairman of the Board of Directors shall be in charge of representing the Company and conduct its activities with regard to [Real Estate and Lands]: give gifts and convey the same - accept gifts and convey the same - accept assignment and conveyance - mortgage - accept mortgages - consolidate sukuk - partition and subdivide - update sukuk and include the same in the Comprehensive System - receive sukuk - apply for sets of sukuk in lieu of lost ones - apply for and obtain sets of sukuk in lieu of damaged ones - assign deficiencies in areas - convert agricultural land into residential land - amend the owner's name and civil registration number - amend boundaries, lengths, areas, number of plots of land, number of plans, sukuk, dates thereof, names of districts - sign lease contracts - renew lease contracts - receive the rental - cancel and revoke lease contracts - sale and conveyance to heirs - with regard to [companies]: establish companies - sign articles of association and amendment annexes - sign shareholders resolutions - appoint and dismiss directors - amend the management section - admission and withdrawal of shareholders - participate in existing companies - increase capital - decrease capital - specify capital - receive allocation surplus - purchase shares and stocks and pay the price - sell shares and stocks and receive the value - sell a branch of the Company - assign shares and stocks of the capital - accept assignment of shares and stocks of the capital - transfer shares, stocks and bonds - amend objectives of the Company - open accounts at banks in the name of the Company - sign agreements - amend the Company's name - close accounts at banks in the name of the Company - amend items of the articles of association or amendment annexes - register the Company - register agencies and trademarks - assign or cancel trademarks - attend general assemblies - open files for the Company - open branches for the Company - liquidate the Company - convert the Company from a joint stock company into a limited liability company - convert the Company from a limited liability company into a joint stock company - convert the Company from a general partnership into a limited liability company - cancel articles of association and amendment annexes - sign articles of association and amendment annexes at the public notary office - apply for and obtain commercial registers and renew the same for the Company - apply for and renew membership at the Chamber of Commerce - check with the Quality Control and Standard Authority - apply for, obtain and renew licenses for the Company - convert the Company branch into an establishment - convert the Company from a limited partnership into a limited liability company - check with Telecommunications Companies, establish fixed phones or mobile phones in the name of the Company - check with the General Investment Authority and sign thereat - check with the Capital Market Authority - participate in tenders and receive forms - sign contracts of the Company with third parties - publish the articles of association, amendment annexes, summaries thereof and bylaws in the Official Gazette - change the legal entity of the Company - with regard to [Commercial Registers]: check with the Registers Department - transfer commercial registers - book trade names - register trademarks - assign trademarks - assign trade names - arrange membership at the Chamber of Commerce - renew membership at the Chamber of Commerce - sign all documents at the Chamber of Commerce - approve signature at the Chamber of Commerce - cancel signature at the Chamber of Commerce - manage the companies' commercial activities - add activities - participate in tenders and obtain relevant forms - apply for and obtain a commercial register - renew commercial registers - manage commercial registers - cancel commercial registers - supervise commercial registers - amend commercial registers - open branches for the commercial registers - transfer the commercial register - apply for and obtain registers in lieu damaged or lost ones - check with the Social Insurances Organization - check with the Zakat, Tax, and Customs Authority - check with the Civil Defense Department - with regard to [Claims at Courts]: file claims - submit pleadings and statement of defense - hear claims and answer the same - acknowledge - deny - make compromises - waive - give releases and discharges - request oath administration, object against and refrain from the same - produce witnesses and pieces of evidence and object against the same - answer, challenge, and amend - object based on falsification - deny handwriting and signatures – request imposing and lifting travel bans - check with Seizure and Enforcement Departments - request seizure and enforcement - request arbitration - appoint experts and arbitrators - object against reports of experts and arbitrators and dismiss and replace them - request enforcing Article 230 of Law of Procedure Before the Sharia Courts - request enforcement of judgments - accept and deny judgments - object against judgments and apply for appeal - request reconsideration - request endorsement on deeds of judgments - request rehabilitation - request preemptive rights - complete whatever necessary to appear at hearings of all claims at all courts - receive amounts of money - request division of estates and allocation of shares - enforce wills - receive deeds of judgments - request referral of claims - request excluding judges - request inclusion and interference at Sharia'a courts, administrative courts (Board of Grievances), at Forensic Committees, at Labor Committees, at Financial Disputes Settlement Committees, Banking Disputes Settlement Committees, Committees for the Settlement of Financial Instruments Disputes, at Offices for Deciding on Commercial Instruments Disputes, at Committees for the Settlement of Commercial Disputes, at the Customs Committees, at Commercial Fraud Committees, at Committees for the Settlement of Insurance Disputes and Violations, at the Control and Investigation Authority, at the Public Prosecution Department, and at the Supreme Judiciary Board - request cassation of judgments at the Supreme Court, at the Committee for Consideration of Violations of Health Professions Practice Law, at the Committee for Consideration of Violations of the Provisions of the Health Firms Law - with regard to [Banks]: check with all banks and financial institutions - transfer from account in foreign currency and in local currency - apply for and obtain credit cards compliant with Sharia'a provisions and to receive the same and the secret number thereof - apply for and obtain check books and receive and use the same - issue and receive certified checks - receive and spend remittances - participate in trust funds - renew membership in trust funds - open trust funds - recover units in trust funds - sign bank loans applications compliant with the Sharia'a provisions and controls and accept the terms, conditions and prices thereof - to sign bank loans contracts, forms, undertakings and payment schedule thereof - receive loans and dispose of the same - request exemption of repayment of loans - reschedule payment dates - ask for bank credits - sign contracts and forms - ask for bank guarantees - sign, receive and record guarantees - ask for sale points - object against checks - receive checks - manage investment portfolios - apply for and obtain establishing debts - liquidation of investment portfolios - request information about financial papers of all types - divide and trade in the same by way of sale - cash the price and deposit the same in the portfolios and accounts of the Company - open accounts under Sharia'a controls - withdraw from accounts - deposit in accounts - apply for and obtain ATM cards and receive the same - enter and receive the secret numbers thereof - apply for and obtain statements of account - activate accounts - cash checks - update account data - close accounts - receive contribution certificates - receive value of shares - received profits - receive surplus - open investment portfolios under Sharia'a controls - make, amend and cancel orders - share in investment fund units compliant with Sharia'a provisions - recover investment fund units - with regard to [Municipalities]: open stores, apply for and obtain licenses - renew licenses - cancel licenses - transfer licenses - apply for and obtain Building and Renovation Permits - apply for and obtain Licenses for Making Walls - apply for and obtain Demolition Licenses - check with the General Administration for Urban Planning - apply for and obtain Building Completion Certificates - plan lands - apply for and obtain Health Cards - convert agricultural lands into residential lands - enter into tenders and receive forms - with regard to [Passports]: apply for and obtain passports - renew passports - apply for and obtain passports in lieu of lost or damaged ones - apply for and obtain travel permission - add dependents - apply for and obtain Expeditors' Cards - transfer sponsorship of employees - apply for and obtain travel visas in lieu of damaged or lost ones - assign employees - manage exit affairs - register in electronic services - apply for and obtain Residence Permits - renew Residence Permits - apply for and obtain Residence Permits in lieu of lost ones - make Exit-Re-Entry Visas - make Only Exit Visas - transfer sponsorship - transfer information and update data - accept transfer of employees - amend professions - report escape of employees - cancel report of escape - cancel Exit-Re-Entry Visas - cancel Only Exit Visas - apply for and obtain extension of visit visas - apply for and obtain Data Statements (Prints) - check with Deportation and Expatriates Department - with regard to [Labor and Workmen Office]: cancel visas - update data of employees - liquidate and cancel employees- report escape of employees - cancel reports of escape of employees - complete procedures of the employees at the Social Insurances - check with the Computer Department at the Workforce Department to assign and add employees - add and delete Saudis - receive Saudization Certificates - open, renew and cancel main and branch files - apply for and obtain Statements of Data (Prints) - transfer, liquidate and cancel ownership of firms - check with the National Recruitment Offices - apply for and obtain visas - cancel visas - recruit employees - receive compensation for visas - transfer sponsorship - amend professions - apply for and obtain Work Permits - report escape of employees - cancel reports of escape - open files - activate the Saudi Gate - promote to the Second Grade - with regard to [Industrial Development Fund]: apply for loans - conclude contracts with the Fund - introduce sponsors and acknowledge being jointly liable with them - sign before the public notary in connection with the industrial mortgage - receive loans - assign loans - declare non-existence of any financial obligations - repay the loans - with regard to [Traffic General Department]: request issuance of Driving Licenses - request issuing Driving Licenses in lieu damaged or lost ones - renew Driving Licenses - request issuance of Vehicle Licenses - request issuing Vehicles Licenses in lieu of damaged or lost ones - renew Vehicle Licenses - request issuing vehicle plates - renew vehicle plates - transfer vehicle plates - assign vehicle plates - apply for and obtain permissions for repairing vehicles - purchase vehicle plates at the Traffic Department - export vehicles - change colors of vehicles - request issuing authorizations for driving vehicles - reporting theft of vehicles - cancel reporting theft of vehicles - object, settle and decide on violations - apply for and obtain Statements of Data (Prints) in respect of vehicle and violations - with regard to [Security Departments]: check with the Governorate and the Judgments Enforcement Section - check with Police Stations - check with the Road Security Command - check with the General Presidency for Intelligence - check with the "Mujahideen" General Department - check with the Buildings Security Forces - check with the General Investigation Department - check with the Administrative Investigation Department - check with the Criminal Investigation Department - check with the Anti-Drugs General Directorate - check with Prisons General Directorate - check with Civil Defense General Directorate - check with Border Guards General Directorate - with regard to [Ministries]: check with the Royal Bureau - check with the Ministry of Justice - check with the Ministry of Interior - check with the Ministry of Foreign Affairs - check with the Trademarks Department and Commercial Agencies Department - assign commercial agencies - cancel commercial agencies - check with the Quality and Precious Metals Department - check with Free Professions Department - apply for and obtain certificates of origin - request customs exemption - check with the Ministry of Commerce - check with the Ministry of Finance - check with the Ministry of Agriculture - check with the Ministry of Labor and Social Development - check with the Ministry of Municipal and Rural Affairs - check with the Ministry of Education - check with the Ministry of Health - check with the Health Affairs Department and National and Governmental Hospitals - request and receive medical reports - check with the Ministry of Culture and Media - apply for and obtain permits for having licenses - check with the Ministry of Housing - check with the Ministry of Electricity and Water - check with the Ministry of Power, Industry and Mineral Wealth - check with the Ministry of Transport - check with the Ministry of Civil Service - check with the Ministry of Telecommunications and Information Technology - check with the Ministry of Economy and Planning as well as its branches, departments and sections - with regard to [Governmental Organizations]: check with the Saudi Central Bank - check with the General Organization for Technological and Vocational Training - check with the Ports General Authority - check with the General Organization for Silos and Flour Grinding Houses - check with the Retirement General Organization - check with the General Organization for Saudi Arabian Airlines - check with the General Organization for Social Insurances and the branches, departments and sections thereof - with regard to [Governmental Authorities]: check with the General Authority for Guardianship Over Minors and Equivalent - check with the Control and Investigation Authority - check with the Public Prosecution Authority - check with the General Investment Authority - check with the Capital Market Authority - check with the Saudi Specifications, Standards and Quality Authority - check with the General Authority for Food and

Drugs - check with the Industrial Cities and Technological Areas Authority - check with the Royal Commission for Jubail and Yanbu - check with the Supreme Authority for the Settlement of Labor Disputes and the branches, departments and sections thereof - check with the Preliminary Authority for the Settlement of Labor Disputes - check with the General Authority for Video and Audio Media - with regard to [Vehicles]: sell and purchase vehicles excluding driving the same - transfer title thereto and receive prices thereof - import vehicles - sell and purchase heavy equipment excluding driving the same - transfer titles and receive and pay the price - check with the Customs Department - clear vehicles and apply for license plates - check with the Ministry of Transport to obtain Vehicle Operation Cards - sell vehicles evolving by way of inheritance, excluding driving the same - transfer the title thereto and receive the price - purchase vehicles, excluding driving the same, and register ownership - with regard to [Telecommunications companies]: apply for all services rendered by telecommunications companies - check with such companies - apply for and obtain mobile sim cards - replace mobile sim cards - apply for and obtain sim cards in lieu of damaged or lost ones - transfer mobile sim cards - assign or cancel mobile sim cards - request establishment of fixed phones - transfer fixed phones - cancel or assign fixed phones - with regard to [Electricity Company]: apply for disconnecting electricity meters - object against bills - with regard to [Post Office]: to apply for having post boxes - receive the keys of post boxes - receive registered mail - apply for and obtain Post Box Authorization Cards - renew or cancel subscription in the box - cash the amounts deposited in post books - with regard [Industrial Licenses]: apply for and obtain licenses - renew licenses - amend licenses - add activities - book names - cancel licenses - subscribe in Chambers of Commerce - renew subscription in Chambers of Commerce - check with the Social Insurances Office - check with the Civil Defense Department - check with the Zakat and Income Tax Authority and the Customs Department - transfer licenses. The Chairman shall have the right to takeover and handover in connection with all the foregoing. His representatives shall have the right to takeover and handover, check with all relevant departments in connection with all the above, to complete all necessary procedures and to sign whenever required. They shall have the right to authorize others, and their representatives shall have the right to authorize others as well. The Board of Directors shall appoint a Secretary for the Board, from amongst its members or from others. Such Secretary shall be in charge of recording the deliberations and resolutions of the Board and have the same recorded in a special register. He shall be in charge of keeping such Register. The Secretary's remuneration shall be specified under a resolution by the Board of Directors. The term of office of the Chairman of the Board, the Vice Chairman, Managing Director and the Secretary, who is a Board member, shall not exceed the term of office of each of them as member of the Board. They may be re-elected. The Board shall have the right, at any time, to dismiss them, or anyone of them, without prejudice to his right in compensation if such dismissal occurs for no lawful cause or at an inconvenient time.

12.14.20 Meetings of the Board of Directors

The Board of Directors shall meet twice a year, upon an invitation from the Chairman, which shall be made in writing with an attached agenda. The Chairman shall call the Board to convene a meeting whenever two members request so. The invite shall be delivered through registered mail, by hand, facsimile, or e-mail, at least two weeks prior to the specified meeting date, where all members shall sign on all recorded meeting minutes.

12.14.21 Meeting Quorum

- A Board meeting shall be quorate only if attended by half of its members, provided that the number of members present is at least (3) three members.
- Any member of the Board may authorize another member of the Board to attend the board meeting, in accordance with the following controls:
  - A member of the Board of Directors may not act on behalf of more than one Board member during the same meeting;
  - A proxy shall be made in writing indicating a specific meeting; and
  - A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.
- Board resolutions shall be adopted by a majority vote of members present or represented therein, with the meeting chairperson casting the deciding vote in case of a tie.

12.14.22 Board Deliberations

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, attending members, and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

12.14.23 Shareholder Assemblies

12.14.23.1 Assembly Attendance

Subscribers, regardless of the number of shares held, shall have the right to attend the Constituent Assembly, and each shareholder shall have the right to attend General Assembly meetings. They may also authorize a third party, other than Board members or Company employees, to attend the General Assembly on his behalf.

12.14.23.2 Conversion Assembly

The Shareholders shall call subscribers to convene a Conversion Assembly within (45) forty-five days from the date of the Ministry's decision to approve the conversion. The meeting shall be valid only if attended by a number of subscribers representing at least half of the capital. If such quorum is not reached, then an invite for a second meeting shall be sent, where the second meeting is to be held at least fifteen (15) days after sending out the invites. In all cases, the second meeting shall be valid regardless of the number of subscribers represented thereat.

12.14.24 Responsibilities of the Conversion Assembly

This Conversion Assembly shall be competent to deal with the matters set out under Article 63 of the Companies Law.

12.14.25 Responsibilities of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all Company matters. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened, whenever needed.

12.14.26 Responsibilities of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Bylaws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, under the same rules and conditions applicable thereto.

12.14.27 Convening General Assemblies

General or Special Shareholder Assemblies shall be convened by the Board of Directors. The Board of Directors shall convene a General Assembly, if requested to do so by the auditor, the Audit Committee, or a number of shareholders representing at least five percent (5%) of the Company's capital. The auditor may call for an assembly to be convened, when the Board fails to call for such a meeting within thirty (30) days of the auditor's request to do so. The summons shall be published in a daily newspaper circulated in the area where the Company's head office is located, at least twenty one (21) days prior to the time set for such meeting. However, notice may be given to all shareholders via registered letters or their official work email within the timeframe set above. A copy of the notice and the agenda shall be sent to the Ministry, within the period set for publication.

12.14.28 Assembly Record of Attendance

Shareholders who wish to attend Ordinary or Special General Assembly meetings shall register their names at the Company's head office before the time specified for the Assembly.

12.14.29 Ordinary General Assembly Quorum

Ordinary General Assembly meetings shall be quorate only if attended by shareholders representing at least one quarter (1/4) of the Company's capital. In the absence of a quorum, a second meeting shall be called to convene within thirty (30) days after the preceding meeting, with the invitation to said meeting published in accordance with the provisions of Article 29 hereof. The second meeting shall be deemed valid, irrespective of the number of shares represented thereat.

12.14.30 Extraordinary General Assembly Quorum

The Extraordinary General Assembly meetings shall be quorate only if attended by shareholders representing at least half of the Company's capital. In the absence of such quorum at the first meeting, a second meeting shall be called to convene under the same conditions set forth in Article 29 of the Bylaws.

In any case, the second meeting shall be deemed valid if attended by a number of shareholders representing at least one quarter of the capital.

If the second meeting is inquorate, then a third meeting shall be called to convene under the same conditions set forth in Article 29 of the Bylaws. With the consent of the competent authority, the third meeting shall be valid irrespective of the number of shares represented thereat.

12.14.31 Voting at Assemblies

Each subscriber shall have one vote for each share he represents at the Conversion Assembly; and each shareholder shall have one vote for each share he represents at General Assembly meetings. Cumulative voting shall be employed in the election of the Board of Directors.

12.14.32 General Assembly Resolutions

Resolutions of the Conversion Assembly shall be adopted by an absolute majority of the shares represented thereat. Ordinary General Assembly resolutions shall be issued by an absolute majority of the shares represented at the meeting. Whereas, Extraordinary General Assembly resolutions shall be adopted by a majority of two-thirds of the shares represented at the meeting, unless the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified therefor in the Bylaws or merging the Company with another company; in which case, such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

12.14.33 Assembly Deliberations

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditor. The Board or the auditor shall answer the shareholder's questions to the extent that is not detrimental to the Company's interests. If the shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and the latter's decision in this regard shall be binding.

12.14.34 Presiding over General Assemblies and the Keeping of Minutes

The General Assembly of shareholders shall be presided over by the Chairman of the Board of Directors or, in his absence, the Vice Chairman or, in their absence, the Managing Director. Meeting minutes shall be drafted indicating the number of attending shareholders or representatives, the number of shares represented in person or by proxy, the number of votes associated therewith, the resolutions passed, the number of votes in favor and against, as well as a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary, and the Canvasser.

12.14.35 Audit Committee

12.14.35.1 Formation of the Committee

An audit committee shall be formed pursuant to a resolution passed by the Ordinary General Assembly and shall consist of three (3) members, other than executive Board members, whether from among the shareholders or others. The resolution shall specify the Committee's responsibilities, the rules governing its activities, and the remuneration of its members.

12.14.35.2 Committee Quorum

Committee meetings shall be quorate if attended by the majority of its members. Its resolutions shall be adopted by a majority vote of attending members; ties shall be decided by the vote of the Committee Chairman.

12.14.36 Committee Responsibilities

The Audit Committee shall be responsible for overseeing the Company's business, and, towards that end, shall have access to Company records and documents. It shall also be entitled to request that Board members or executive directors provide it with clarifications or statements, as well as be entitled to request that the Board of Directors calls for the convening of the Company's General Assembly, if the Board hinders the performance of the Committee's duties, or when the Company suffers material damages or losses.

12.14.37 Committee Reports

The Audit Committee shall be responsible for reviewing the Company's financial statements, as well as the reports and notes submitted by the auditor, and provide an opinion in their regard, if any. It shall also draft an opinion concerning the adequacy of the Company's internal oversight control systems, and submit reports relating to other duties that fall within its purview. The Board of Directors shall ensure that a sufficient number of copies of said report be made available at the Company's head office at least twenty one (21) days prior to the General Assembly meeting date, in order to provide desirous shareholders with a copy thereof. Said report shall be read during the Assembly meeting.

12.14.38 Auditor

12.14.38.1 Appointment of the Auditor

The Company shall have one or more auditors to be selected from among those licensed to work in Saudi Arabia. Such auditor shall be appointed annually and the compensation term of office thereof shall be fixed by the Ordinary General Assembly. The Assembly may, at any time, replace said auditor without prejudice to the latter's right for compensation, if the replacement decision were unlawful or occurred at an inappropriate time.

12.14.39 Responsibilities of the Auditor

The auditor shall, at all times, have access to the Company's books, records and any other documents. It may also request information and clarification, as it deems necessary, to verify the Company's assets, liabilities and other matters that may pertain to the scope of its activities. The Chairman of the Board of Directors shall enable the auditor to perform its duties; and when the auditor encounters difficulties in that regard, the latter shall document the same in a report to be submitted to the Board of Directors. The Board not facilitating the work of the auditor shall result in the latter requesting that the Board calls for a meeting of the Ordinary General Assembly to examine the matter.

12.14.40 Company Accounts and Distribution of Profits

12.14.40.1 Fiscal Year

The Company' Conversion Assembly's Fiscal Year shall commence as on the 1st of January and expire on the 31st of December of each Gregorian year. However, the Company's first Fiscal Year shall commence as of the date on which the Company is registered at the commercial register as a closed joint stock company and expire on 31 December of the same year.

12.14.41 Financial Documents

1- At the end of each Fiscal Year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended Fiscal Year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposal of the auditor at least forty-five (45) days prior to the date set for convening the General Assembly.

2- The Chairman of the Board, CEO and CFO shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed at the Company's Head Office at the disposal of Shareholders at least twenty one (21) days prior to the date set for the General Assembly meeting.

3- The Chairman shall provide Shareholders with the Company's financial statements, Board of Directors' report and auditor's report unless they are published in a daily newspaper distributed at the Company's Head Office. The Chairman shall also send a copy thereof to the Ministry at least fifteen (15) days prior to the date set for the General Assembly meeting.

12.14.42 Distribution of Profits

The Company's annual net profits shall be allocated as follows:

1- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's capital.
2- The Ordinary General Assembly may, upon recommendation of the Board of Directors, set aside at most ten percent (10%) of the net profits to form a contractual reserve to be allocated to a specific purpose or purposes.
3- The Ordinary General Assembly may decide to form other reserves to the extent that achieves the interests of the Company or guarantees steady distribution of profits to shareholders. Said Assembly may also deduct certain amounts from the net profits to set up social institutions for the Company's employees or to support any existing institutions.
4- A first payment shall be distributed from the remaining amount to shareholders in an amount representing (5%) of the Company's paid-up capital.
5- Once it meets the requirements prescribed by the competent authorities, the Company may distribute quarterly and semi-annual dividends.
6- Without prejudice to the provisions of Article 19 of the Bylaws, and Article 76 of the Companies Law, after the foregoing, at most, 10% of the remainder shall be allocated as a bonus to the Board of Directors; with said bonus shall be proportionate to the number of meetings attended by each member.

12.14.43 Entitlement to Profits

Shareholders shall be eligible to receive dividends pursuant to a General Assembly resolution adopted in that regard and indicating the entitlement and distribution dates. Shareholders eligible to receive dividends shall be those whose names appear on Shareholder Registers at the end of the entitlement date.

12.14.44 Company Losses

1- If, at any time during the fiscal year, the Company's losses total half of its paid-up capital, then any Company official or auditor, upon becoming aware thereof, must inform the Chairman of the Board of Directors, who shall immediately inform the members of the Board, which, within fifteen (15) days of being informed thereof, shall call for an Extraordinary General Assembly meeting to be convened within forty five (45) days of being informed of the losses, to consider whether to increase or decrease the Company's capital, in accordance with the provisions of the Companies Law, in order to render losses equal to less than half of the paid-up capital, or dissolve the Company prior to the end of its term, as defined in the Companies Law.
2- The Company shall be deemed dissolved under the Companies Law, when its General Assembly does not convene within the period specified in Paragraph 1 of this Article; or if it does convene, but fails to reach a decision in that regard; or when it resolves to increase the capital as per the conditions set forth in this article, but the capital increase is not subscribed to in full within ninety (90) days of the Assembly's resolution to increase the capital.

12.14.45 Disputes

12.14.45.1 Liability Action

Each shareholder shall have the right to file a liability action, vested in the Company, against members of the Board who have committed a mistake that caused said shareholder to suffer damages. Such liability action may only be filed by the shareholder, if the Company's right to file such action remains valid. The shareholder shall notify the Company of his/its intention to file such action.

12.14.46 Dissolution and Liquidation of the Company

12.14.46.1 Expiry of the Company

Upon its expiry, the Company shall enter liquidation and retain its legal personality to the extent necessary for liquidation. The Extraordinary General Assembly shall adopt a resolution to voluntarily liquidate the Company, with said resolution appointing a liquidator, and defining the latter's powers, compensation, and restrictions imposed on said powers, as well as the timeframe to conclude liquidation, which, in cases of voluntary liquidation must not exceed five (5) years that cannot be extended except by court order. The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the Company and take on the capacity of liquidator, until the latter is appointed. During liquidation, shareholder assemblies shall retain such responsibilities vested in them that do not conflict with those of the liquidator.

12.14.47 Final Provisions

12.14.47.1 Companies Law

The Companies Law and Regulations thereof shall apply to all matters not provided for in the Bylaws.

12.14.47.2 Publication

The Bylaws shall be filed and published in accordance with the provisions of the Companies Law and Regulations thereof.

12.15 Description of Shares

12.15.1 Capital of the Company

The capital of the Company shall be 400,000,000 (four hundred million) Saudi Riyals, divided into 40,000,000 (forty million) shares of equal value, and the nominal value of each share shall be ten (10) Saudi Riyals of which 27,500,000 are cash shares and 12,500,000 are in-kind shares

12.15.2 Shares

Company shares shall be nominal shares, and may not be issued at less than their nominal value, but may be issued at a value higher than said nominal value; in which case, the difference in value shall be added as a separate article relating to shareholder rights and may not be distributed as a shareholder dividend. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and they shall be jointly responsible for the obligations arising from ownership of said share.

12.15.3 Share Repurchase

The Company may in accordance with Article 112 of the Companies Law, purchase its shares in accordance with controls set by the competent authority. The shares purchased by the Company shall no entitle it to votes in the shareholders assemblies.

12.15.4 Rights of the Holders of Ordinary Shares

Pursuant to Article 110 of the Companies Law, shares confer on the shareholder all the rights attached to the shares, which include in particular the right to receive a share in the profits declared for distribution; the right to a share in the Company's assets upon liquidation; the right to attend general assemblies and participate in the deliberations; voting on the resolutions proposed at such meetings; the right to dispose of shares; the right to have an access to the Company's records and documents; the right to supervise acts of the Board of Directors; the right to institute proceedings against Board members; and the right to contest the validity of the resolutions adopted at general assemblies in accordance with the conditions and restrictions specified in the Companies Law or in the Company's Bylaws.

Each Shareholder shall have the right to discuss the subjects listed in the General Assembly's agenda and to direct questions in respect thereof to the Board of Directors and the Auditor. The Board or Auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then he/she may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

12.15.5 General Assemblies

The Shareholders' General Assemblies duly convened represent all the Shareholders, and shall be held in the city where the Company's head office is located.

Except for matters falling within the jurisdiction of an Extraordinary General Assembly, an Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least one a year during the first six (6) months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called where necessary.

An Extraordinary General Assembly of Shareholders shall be competent to amend the provisions of the Company's Bylaws, within the scope permitted by law. Furthermore, an Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

The invitation to the Ordinary General Assembly should be published in a daily newspaper distributed in the Company's headquarters at least twenty-one (21) days prior to the meeting date. A copy of the invitation and agenda shall be sent to the competent authorities within the period specified for publication. A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least fifty percent (50%) of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be called to be held one hour after the end of the period specified for the first meeting. The invitation to the first meeting shall maintain the possibility of holding such meeting or a second one within thirty days (30) after the first meeting. The notice shall be sent in the manner prescribed in the first meeting. The second meeting shall be deemed valid irrespective of the number of Shares represented therein. The meeting of Extraordinary General Assembly shall be valid only if attended by a number of Shareholders representing at least half (1/2) of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting of the Extraordinary General Assembly shall be called to be held one hour after the end of the period specified for the first meeting, and the invitation shall maintain the possibility of holding such meeting or a second one within the following thirty (30) days. The second meeting shall be valid only if attended by a number of Shareholders representing at least (25%) of the Company's share capital. If this quorum is not attained at the second meeting, notice shall be sent for a third meeting to be held. The third meeting shall be valid regardless of the number of Shares represented therein and is contingent upon the competent authority's approval. General Assembly meetings shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by the Vice Chairman of the Board of Directors. Minutes shall be written for the meeting which shall include the names of the Shareholders present in person or represented by proxy, the number of Shares held by each, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary and the canvasser.

12.15.6 Voting Rights

Each Subscriber, regardless of the number of his/her Shares, has the right to attend the Conversion Assembly, and each Shareholder shall have the right to attend the General Assemblies of the Shareholders. A Shareholder may appoint another person who is not a member of the Board of Directors or a company employee to attend the General Assembly on his/her behalf. Each Shareholder shall have one vote per Share represented thereby at the Conversion Assembly, and each Shareholder shall have a vote for each Share at the General Assemblies. Cumulative voting shall be used in the elections of the Board of Directors. Votes at the meetings of the General Assembly shall be counted on the basis of one vote per Share represented at the meeting. Resolutions of the General Assembly shall be passed if supported by a majority of the Shares represented at the meeting.

12.15.7 Term of the Company

The term of the Company be fifty (50) Gregorian years commencing from the registration of the Company with the commercial registry as a joint stock company. The term of the Company may be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.15.8 Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to the term set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of the liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for managing the Company until the liquidator is appointed. The Company's administrative departments shall maintain their powers to the extent that they do not conflict with the powers of the liquidators.

12.15.9 Change of Shareholders' Rights

The rights of the Shareholders to receive a share in the Company's profits declared for distribution, receive a share in the Company's asset surplus upon liquidation, attend General Assembly meetings, participate in the deliberations and vote on its resolutions, dispose of the Shares, access the Company's books and documents, supervise the acts of the Board of Directors, bring a liability claim against the Board members and contest the validity of the resolutions adopted at General Assembly meetings (in accordance with the conditions and restrictions set out in the Companies Law and the Bylaws) are granted pursuant to the Companies Law. Accordingly, they may not be changed.

13. UNDERWRITING

The Company, the Selling Shareholders and the Underwriter (being SNB Capital Company) have entered into an underwriting agreement dated [•]H, corresponding to [•]G (the "**Underwriting Agreement**") pursuant to which the Underwriter has agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of 12 million Offer Shares. The name and address of the Underwriter are set out below:

13.1 Underwriter

Table (13-1): Details of Underwriter

Underwriter	
SNB Capital Company Regional Building of the Saudi National Bank King Saud Road SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 9200 00232 Fax: +966 11 406 0052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com	SNB Capital

The agreed principal terms of the Underwriting Agreement are set out below:

13.2 Summary of the Underwriting Agreement

Under the terms and subject to the conditions contained in the Underwriting Agreement:

- The Selling Shareholders undertake to the Underwriter that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, they shall:
  - Sell and allocate the Offer Shares to Participating Parties or Individual Investors whose applications for Offer Shares have been accepted by the Receiving Agents.
  - Sell and allocate to the Underwriter (or as they may direct) the Offer Shares that are not purchased by Individual Investors or Participating Parties pursuant to the Offering.
- The Underwriter undertakes to the Company and the Selling Shareholders that they will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as stated below:

Table (13-2): Underwritten Shares

Underwriter	Value of Offer Shares Underwritten (SAR)	No. of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
SNB Capital Company	[•]	12,000,000	100%

14. UNDERWRITING COSTS

The Selling Shareholders will pay to the Underwriter, on a pro-rata basis to the number of Offer Shares sold, an underwriting fee based on the total value of the Offering and pay the Underwriters' costs and expenses in connection with the Offering on behalf of the Company.

15. EXPENSES

Selling Shareholders shall bear all costs associated with the Offer, which are estimated at approximately SAR [•] [(•)]. This figure includes the fees of each of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisor of the Company, Auditor, Receiving Agents, Market Research Consultant, and other Advisors, in addition to marketing, printing and distribution expenses and other related expenses. The expenses will be deducted from the proceeds of the Offering, with the Company not bearing any costs associated with the Offering.

16. COMPANY'S POST-LISTING UNDERTAKINGS

Post-Offering, the Company undertakes to:

a- Fill out form 8 (regarding the observance of Corporate Governance Regulations). The Company shall provide the relevant justifications, if it fails to meet any of the requirements set out in the Corporate Governance Regulations.

b- Inform the Capital Market Authority at the date of the first post-listing General Assembly meeting, so that representatives thereof may attend said meeting.

c- Comply with all mandatory articles from the Rules on the Offer of Securities and Continuing Obligations, Listing, and Corporate Governance Regulations immediately after Listing.

d- Submit to the General Assembly for approval, all works and contracts in which any Director has a direct or indirect interest (in accordance with the Companies Law and the Corporate Governance Regulations); provided that the Director with such interest shall be prohibited from participating in voting on decisions issued in this regard by the Board of Directors and General Assembly (for further details, please refer to Section 12.8 "**Transactions and Contracts with Related Parties**").

Accordingly, once listing is approved, Director undertake to:

a- Record all resolutions and deliberations in written meeting minutes signed by the Board Chairman and Secretary.

b- Disclose the details pertaining of any Related Party transactions in accordance with the Companies. Law and Corporate Governance Regulations.

17. WAIVERS

The Company obtained a waiver from the requirements of sections (a) and (b) of subparagraph 6 of Article 23 of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority, which provides that the Company shall not submit an application for registration and offer of securities until, at least, one financial year has elapsed from the date of completion of a material restructuring. Material restructuring is defined as the disposition of any of the issuer's assets that contributed in generating 30% or more of the Company's revenue or net income as per the most recent annual financial statements, or to acquire assets with a value exceeding 30% or more of the Company's net income as per the most recent annual financial statements. A waiver was obtained with respect to the Company's purchase of real estate properties included in the Company's real estate investment portfolio and the sale of such properties after the development thereof.

18. SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of the Offer Shares and an application for listing of the Shares on the Exchange in accordance with the OSCOs.

All Subscribers must carefully read the Subscription Terms and Conditions before completing their Subscription Application Form. Execution and submission of a Subscription Application Form to the Receiving Agents is deemed as an acceptance and approval of the Subscription Terms and Conditions.

18.1 Subscription to Offer Shares

The Offering will consist of twelve million (12,000,000) Shares with a fully paid nominal value of SAR 10 per Share, at an Offer Price of SAR [•] per Share. The Offer Shares represent 30.0% of the Company's issued capital with the total value of the Offering amounting to SAR [•]. Note that the Offering to Individual Investors and listing of the Shares thereafter is subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following two groups of investors:

Tranche (A): Participating Parties:

This tranche comprises investors eligible to participate in the book-building process in accordance with the Book-Building Instructions. The number of Offer Shares to be initially allocated to Participating Parties is twelve million (12,000,000) Share representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors for the Offer Shares, then the Lead Manager has the right to reduce the number of Offer Shares initially allocated to Participating Parties to a minimum of ten million and eight hundred thousand (10,800,000) ordinary Shares, representing 90% of the total Offer Shares. The number and percentage of Offer Shares to be allocated to the Participating Parties shall be determined as deemed fit by the Financial Advisors, in coordination with the Company and the Selling Shareholders.

Tranche (B): Individual Investors:

This tranche includes Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Receiving Agents and having the right to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million two hundred thousand (1,200,000) Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe in full for the Offer Shares allocated thereto, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for by them.

18.2 Book-building and Subscription by Participating Parties

a- The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined as deemed fit by the Financial Advisor, in coordination with the Company and the Selling Shareholders, using the voluntary share allocation.

b- Participating Parties registered in the Kingdom must submit requests to participate in the book-building process by filling out Bid/Subscription Orders. Participating Parties may amend or cancel their bids at any time during the Book-Building Period, provided that said bids are amended by submitting a modified bid form or an appendix Bid Form (where applicable) before the Offer price determination process that will take place before the Offering Period begins. The number of Offer Shares for each of the Participating Parties shall not be less than one hundred thousand (100,000) shares, and no more than one million and nine hundred thousand and ninety nine and nine hundred ninety nine (1,999,999) shares, and in relation to public funds only, not exceeding the maximum limit for each participating public fund that is determined in accordance with the Book-Building Instructions, and the number of requested shares must be allocable. The Lead Manager shall notify the Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto. Subscription by Participating Parties must begin during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Applications Forms.

c- Once the book-building process for Participating Parties is completed, the Lead Manager shall announce the subscription percentage by Participating Parties.

d- The Bookrunner and the Company shall have the authority to determine the Offer Price as dictated by supply and demand, provided that it does not exceed the price specified in the Underwriting Agreement and that the subscription price be aligned with the price change units applied bythe Exchange.

18.3 Subscription by Individual Investors

Each Individual Investor must submit an Application Form and must subscribe in multiples of ten (10) (with a minimum subscription of ten (10) Offer Shares and a maximum subscription of two hundred and fifty thousand (250,000) Offer Shares for Individual Investors). Changes to or withdrawal of the Application Form shall not be permitted once submitted.

Subscription Application Forms will be made available during the Retail Offering Period by Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Investors who have recently participated in recent initial public offerings can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents that offer any or all such services to its customers, provided that the following requirements are satisfied:

a- the Individual Investor must have a bank account at a Receiving Agent which offers such services; and

b- there have been no changes to the personal information or data of the Individual Investor since his subscription in the last Offering.

Upon signing and submitting the Subscription Application Form to any of the Receiving Agents, it shall be deemed a legally binding agreement between the Selling Shareholders and the relevant Individual Investor. Individual Investors may obtain a copy of this Prospectus through the websites of CMA and the Financial Advisor.

Following are the Receiving Agents' details:

Table (18-1): Details of the Receiving Agents

Receiving Agents
Saudi National Bank (SNB) King Fahd Road – Al-Aqiq - King Abdullah Financial District P.O. Box 3208, Unit No. 778 Kingdom of Saudi Arabia Tel: +966 (92) 0001000 Fax: +966 (11) 406 0052 Website: www.alahli.com Email: contactus@alahli.com
Riyad Bank Eastern Ring Road P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel.: +966 (11) 4013030 Fax: +966 (11) 4030016 Website: www.riyadbank.com Email: customercare@riyadbank.com
Albilad Bank King Abdullah Road P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel.: +966 (11) 479 8888 Fax: +966 (11) 479 8505 Website: www.bankalbilad.com Email: customercare@bankalbilad.com

The Receiving Agents will commence receiving Subscription Application Forms throughout the Kingdom beginning on [•]H (corresponding to [•]G) until [•]H (corresponding to [•]G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent receiving it, if it offers such services to its clients, will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR [•] per Offer Share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares will not be accepted, noting that the maximum subscription is two hundred and fifty thousand (250,000) Offer Shares. Increments are to be made in multiples of 10.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

- a- the original and copy of the national civil identification card or residency identification card (in case of non-Saudi Individual Investors and foreign residents, as applicable);
- b- the original and copy of the national civil identification card (in case of Individual Investors who are GCC nationals);
- c- the original and copy of a power of attorney (when subscribing on behalf of others);
- d- the original and copy of certificate of guardianship (when subscribing on behalf of orphans);
- e- the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- f- the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- g- the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form. The power of attorney must be notarized by a notary public for the Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

- a- all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;
- b- the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and
- c- the primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to themselves and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- a- the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;
- b- dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; and
- c- the wife subscribes in her name adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non–Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in its Subscription Application Form, multiplied by the Offer Price of SAR [·] per share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

a- delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents; and

b- payment in full by the Individual Investor to the Receiving Agents of the number of the Offer Shares subscribed for in the Subscription Application Form; and

The total value of the Offer Shares shall be paid in full to the Receiving Agents branch by debiting the account of the Individual Investor at the Receiving Agents where the Subscription Application Form was submitted. If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, then such an application may be rejected altogether. The Individual Investor shall accept any number of Offer Shares allocated to him / her unless the allocated shares exceeded the number of Offer Shares he has applied for.

18.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts, for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). Subscription monies shall be transferred to the Selling Shareholders only after listing, and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the subscription forms. In addition, Receiving Agents shall deposit all amounts received from the Individual Investors into the escrow accounts, the details of which account shall be specified in the Retail Subscription Form.

The Lead Manager and Receiving Agents, as applicable, shall notify Subscribers informing them of the final number of Offer Shares allocated, together with the amounts to be refunded.

Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' account as specified in the Subscription Application Form.

The announcement of the final allocation and refund process shall be made no later than [·]H (corresponding to [·]G) (for further details, see "**KEY DATES AND SUBSCRIPTION PROCEDURES**") on page (xiv). Subscribers should communicate with the Lead Manager or the Receiving Agents where they submitted their Subscription Form, as applicable, for any further information.

18.4.1 Allocation of Offer Shares to Participating Parties

The Financial Advisor, in coordination with the Company, shall determine the allocation of Offer Shares for the Participating Parties, after the allocation of Offer Shares to Individual Investors is completed, provided that the initial number of Offer Shares initially allocated to Participating Parties shall not be less than twelve million (12,000,000) ordinary shares representing one hundred percent (100%) of the Offer Shares, and provided that the final allocation for Participating Parties shall not be less than ten million eight hundred thousand (10,800,000) Ordinary Shares, representing 90% of the total Offer Shares Post-Offering.

The allocation of Offer Shares for the Participating Parties will made using the voluntary share allocation method. The Company and the Financial Advisor may decide to not allocate any Offer Shares to certain Participating Parties.

18.4.2 Allocation of Offer Shares to Individual Investors

The Financial Advisor, in coordination with the Company, shall determine the allocation of Offer Shares to be allocated to Individual Investors. There will be an allocation of a maximum number of Offer Shares allocated to Individual Investors shall be of one million two hundred thousand (1,200,000) Ordinary Shares, representing 10% of the Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares. The balance of the Offer Shares (if any) will be allocated on a pro-rata basis of each Individual Investor's application in proportion to the total number of requested Shares. In the event that the number of Individual Investors exceeds one hundred and twenty thousand (120,000) Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares, and the allocation will be made as determined by the Company and Financial Advisor. The surplus, if any, would be refunded to Individual Investors without any commissions or deductions by the Receiving Agents.

18.5 Circumstances where Listing may be Suspended or Cancelled

18.5.1 Power to Suspend or Cancel Listing

A- The CMA may suspend stock trading or cancel the listing at any time as it deems fit, in any of the following circumstances:

1- The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.

2- The Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its implementing regulations or market rules.

3- The Company does not pay any fees due to the CMA or the Exchange or penalties due to the CMA on time.

4- If it considers that the Company or its business, the level of its operations or its assets is no longer suitable to warrant the continued listing of shares in the Exchange.

5- When the reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the source has given sufficient information regarding the target entity and the CMA is satisfied, following the announcement of the Company, that sufficient public information is available on the proposed transaction or the reverse takeover, the CMA may decide not to suspend trading at this stage.

6- When information about the proposed transaction of reverse takeover is leaked and the Company cannot accurately assess its financial position and the Exchange cannot be informed accordingly.

7- Upon filing a request for commencing financial reorganization procedures before the court under the Bankruptcy Law, for an Issuer whose accumulated losses amounted to 50% or more of the capital thereof.

8- Upon filing a request for commencing Issuer liquidation procedures or administrative liquidation procedure before the court under the Bankruptcy Law.

9- Upon issuance of a final court ruling to end Issuer financial reorganization procedures and initiation of liquidation procedures or the administrative liquidation procedures under the Bankruptcy Law.

10- Upon issuance of a final court ruling to commence Issuer liquidation procedures or administrative liquidation procedures under the Bankruptcy Law.

B- The Exchange shall suspend the trading of the securities of the Company in any of the following cases:

1- When the Company does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the requirements of the OSCOs until its disclosure.

2- When the auditor’s report on the financial statements of the Company contains an opposing opinion or an abstention from expressing opinion, until such opinion or abstention is removed.

3- If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met, after the time limit set by the Exchange for the Company to rectify its conditions, unless the CMA agrees otherwise.

4- The issuance of a decision by an Extraordinary General Assembly of the Company to reduce its capital for the two trading days following the issuance of the decision.

18.5.2 Voluntary Cancellation of Listing

A- The Company, after it is listed on the Exchange may not cancel the listing of its securities without the prior approval of the CMA. To obtain the CMA approval, the Company must provide the cancellation application to the CMA along with a simultaneous notice to Exchange. The application has to include the following:

1- Specific reasons for the cancellation request;

2- A copy of the disclosure referred to in paragraph (D) below;

3- A copy of the relevant documentation and a copy of each related communication to shareholders, if the cancellation is to take place as a result of an acquisition or other corporate action by the Company; and

4- Names and contact information of the financial advisor and legal advisor appointed according to the relevant implementing regulations.

B- The CMA may, at its discretion, approve or reject the cancellation request

C- Once approval from the CMA has been obtained for the cancellation of listing, the Company must obtain the consent of its Extraordinary General Assembly.

D- Where cancellation is made at the Company’s request, the Company must disclose that to the public as soon as possible. The disclosure has to include the reason for the cancellation, the nature of the event resulting in the cancellation, and how it affects the issuer’s activities.

18.5.3 Temporary Trading Suspension

A- The Company may request the Exchange to implement a temporary trading suspension upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the Capital Market Law, its implementing regulations or the Exchange rules, where the Company cannot maintain the confidentiality of this information until the end of the trading period. In such a case, the Exchange suspends trading of the securities of that the Company as soon as it receives the request.

B- Where a temporary trading suspension is made at the Company's request, the Company must announce as soon as possible the reason for the trading suspension, the anticipated period of the trading suspension, the event leading thereto and the extent it affects the Company's activities.

C- The CMA may impose a temporary trading suspension without a request from the Company, where the CMA becomes aware of information or circumstances affecting the Company's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. A Company whose securities are subject to temporary trading suspension must continue to comply with the Capital Market Law, its implementing regulations and Exchange rules.

D- The Exchange may recommend to the CMA to practice its powers in accordance with the above paragraph (C), if it discovers any information or circumstances that might affect the Company's activities which might affect the market's activities or investors' protection.

E- A temporary trading suspension will be lifted following the elapse of the disclosure period referred to in the disclosure specified above in paragraph (B), unless the CMA or the Exchange decide otherwise.

18.5.4 Lifting of Suspension

A- Lifting of trading suspension, as per Paragraph (A) of Section 18.5.1 ("**Power to Suspend or Cancel Listing**") of this Prospectus is subject to the following:

- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.
- Lifting the suspension is unlikely to affect the normal activity of the Exchange.
- The Company's compliance with any other conditions that the CMA may require.
- In the event that the suspension is due to the fact the Company's accumulated losses equal 50% or more of its capital as per the Bankruptcy Law, then the suspension shall be lifted upon the issuance of the final court ruling on the commencement of a financial restructuring procedure for the issuer in accordance with the law issued by the competent authority and governing the issuer's activities.
- In the event that the suspension was due to an issuer liquidation procedure or administrative liquidation procedure before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless suspended from the practice of its activities by the relevant competent authority.

B- In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Company to correct such suspension, the CMA may cancel the listing of the Company.

18.5.5 Re-registering and Listing of Cancelled Securities

If the Company wishes to re-list its shares after the cancellation thereof, it must submit a new application to list its shares in accordance with the Listing Rules, and fulfil the relevant requirements stipulated in the OSCOs.

18.6 Approvals and Decisions under which the Offer Shares are Offered and Listed

The following are the decisions and approvals under which the Offer Shares are publicly offered and listed:

- the Company's Board of Directors resolution approving the Offering dated 25/03/1443H (corresponding to 31/10/2021G);
- the CMA's announcement on the approval of the application for listing and offering securities dated 13/08/1443H (corresponding to 16/03/2022G); and
- the Exchange's conditional listing approval.

18.7 Lock-up Period

The Substantial Shareholders referred to on page (x) of this Prospectus may not dispose of any of their Shares, in each case for a period of six (6) months from the date on which trading of the Company's Shares commences on the Exchange. Following the Lock-up Period, the Substantial Shareholders are not restricted from disposing of their Shares without prior CMA approval.

18.8 Acknowledgments by Subscribers

By completing and delivering the Retail Subscription Application, each Subscriber:

- agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;
- warrants that he has read and carefully examined this Prospectus and understood all its content;
- accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus, the Subscription Application Form, and Electronic Subscription Application, and subscribes in the Offer Shares accordingly;
- declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed to the Company's shares and accepts that the Company has the right to reject any or all duplicate applications;
- accepts the number of Offer Shares allocated to him (to the maximum of the amount subscribed for) as per the Subscription Application Form; and
- warrants not to cancel or amend the Subscription Application Form, after submitting it to the Lead Manager or the Receiving Agents. For further details about the allocation process and surplus refund, please refer to Section 18.4 ("**Allocation and Refunds**").

18.9 Shares' Record and Trading Arrangements

The Saudi Exchange shall keep a shareholders' record containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

18.10 Saudi Stock Exchange

In 1990G, full electronic trading in the Kingdom equities was introduced. The Saudi Exchange (formerly "Tadawul") was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. The said times are subject to change during the month of Ramadan or in other months, and they are announced by the Saudi Exchange Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. The Saudi Exchange distributes a comprehensive range of information through various channels, including in particular the Saudi Exchange website (Tadawul) and the Saudi Exchange Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Companies are required to disclose all material decisions and information that are important for the investors via the Saudi Exchange. Surveillance and monitoring is the responsibility of the Saudi Exchange as the operator of the market to ensure fair trading and an orderly market.

18.11 Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G as a closed joint stock company , in accordance with the Saudi Companies Law issued by Royal Decree No. M/3, dated 28/01/1437,1437H. It is a closed joint-stock company fully owned by the Saudi Tadawul Group Holding, with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal share value of SAR 10.

The establishment was upon the CMA's approval of Tadawul's Board of Directors request in relation to conversion of the Securities Depository Center into a joint -stock company in accordance with the Capital Market Law (CML) issued by Royal Decree No. M/30, dated 02/06/1424H.

The principal activities of Edaa are to conduct businesses related to depositing, registering the ownership of, transferring, settling, and clearing securities, as well as recording any ownership title of restrictions on the deposited securities. Further, it deposits and handles the records of the issuers of securities, and offers several added-value services such as the management of issuers' general assemblies, including the remote voting services (e-Voting), reporting, notifications, and maintenance of critical data information, as well as providing other related services related to the activities thereof that Edaa may provide in line with the CML and its Implementing Regulations.

18.12 Trading in the Shares

It is expected that trading in the Shares will commence after the final allocation of shares and the Saudi Exchange announcement of the start date of trading of the Company's Shares. Saudi nationals, KSA residents holding valid residency permits, GCC nationals, as well as Saudi and GCC companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, QFIs and Approved Clients will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Foreign Investors will also have the right to invest indirectly to acquire economic benefits in the Shares, by entering into swap agreements with a Capital Market Institution licensed by the CMA, and to acquire, hold and trade in the Shares on the Exchange on behalf of a Foreign Investor. The Capital Market Institution shall be deemed the legal owners of the shares under the swap agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Participating Parties' accounts at the Saudi Exchange, the Company has been registered and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Participating Parties entering into any pre-trading activities will be acting at their own risk. The Company and the Current Shareholders shall have no legal responsibility in connection with pre-trading activities.

18.13 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription, without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for foreign Participating Parties, taking into account the relevant rules and instructions. The Company, Selling Shareholders, Financial Advisor / Coordinator, Lead Manager and Underwriter require all recipients of this Prospectus to inform themselves of any regulatory restrictions on the Offer Shares and the sale of Offer Shares and to observe all such restrictions.

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office between 10:00 a.m. and 3:00 p.m. from 08/10/1443H (corresponding to 09/05/2022G) until 07/11/1443H (corresponding to 06/06/2022G) for a period of no less than twenty (20) days prior to the end of the Offering Period:

- a- Copy of the CMA's announcement of the approval of the Offering.
- b- The Company's Board resolution approving the Offering.
- c- Company's Bylaws and amendments thereto.
- d- Company's articles of association and amendments thereto.
- e- Company's commercial registration certificate issued by MOC.
- f- Company's audited consolidated financial statements for financial years ended 31 December 2018G, 2019G, and 2020G, and the audited financial statements for the period ended 30 September 2021G, prepared in accordance with IFRS-KSA.
- g- Market study prepared by the Market Research Consultant.
- h- All reports, letters, and other documents, valuations and data prepared by any expert wholly or partly included or referred to herein.
- i- Letters of consent from each of:
  - 1- The Financial Advisor, Lead Manager, Bookrunner and Underwriter (SNB Capital Company) for the inclusion of their respective names, logos and statements, if any, in this Prospectus.
  - 2- The Auditor (Baker Tilly MKM) for the inclusion in this Prospectus of its name, logo, and statements, if any, as auditor of the Company for the audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G, and the audited financial statements for the period ended on 30 September 2021 prepared in accordance with IFRS-KSA, as adopted by SOCPA.
  - 3- The Financial Due Diligence Advisor (Price Waterhouse & Co Chartered Accountants - PwC) for the inclusion of its name, logo and declarations, if any, in this Prospectus.
  - 4- The Market Research Consultant (Knight Frank Middle East) for the inclusion of its name, logo and declarations, if any, in this Prospectus.
  - 5- The Legal Advisor (Abdulaziz I. Al Ajlan and Partners, Lawyers and Legal Advisors), for the inclusion of its name, logo, and declarations, if any, in this Prospectus.
- j- Contracts and agreements disclosed in Section 12.8 ("**Transactions and Contracts with Related Parties**") hereof.
- k- Underwriting Agreement.
- l- Document clarifying the mechanism relied upon to determine the price range used in the bookbuilding process.

20. CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORTS

This section contains:

1- Audited consolidated financial statements for financial year 2018G, together with accompanying notes, prepared in accordance with IFRS-KSA, as adopted by SOCPA;

2- Audited consolidated financial statements for financial year 2019G, together with accompanying notes, prepared in accordance with IFRS-KSA, as adopted by SOCPA;

3- Audited consolidated financial statements for financial year 2020G, together with accompanying notes, prepared in accordance with IFRS-KSA, as adopted by SOCPA; and

4- Audited financial statements for the period ended 30 September 2021G, together with accompanying notes, prepared in accordance with IFRS-KSA, as adopted by SOCPA.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND INDEPENDENT AUDITOR'S REPORT

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

BAKER TILLY
MKM & CO.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS' OF RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)

Opinion
We have audited the consolidated financial statements of Retal Urban Development Company (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants("SOCPA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISAs"). Our responsibilities under those standards are further described in the '*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*' section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter - Basis of Preparation
We draw attention to note 2 to these consolidated financial statements which describes the basis of preparation. As a result of the regulatory requirements in the Kingdom of Saudi Arabia, the consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). For all years up to and including year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS' OF RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly MKM & Co.
Certified Public Accountants

Bader Hatim Al Tamimi
License No. 489
Al-Khobar
25 Rajab 1440
1 April 2019

شركة بيكر تيلي م ك م وشركاه
محاسبون قانونيون
C P A
BAKER TILLY M K M & CO.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 SR	31 December 2017 SR (Note 4)	1 January 2017 SR (Note 4)
ASSETS				
Non-current assets				
Property and equipment	5	3,746,562	4,583,542	1,859,298
Development properties	6	76,962,489	79,798,392	30,629,789
Investment properties	7	39,083,172	35,125,382	15,893,290
Intangible assets	8	3,813,830	3,479,017	-
Investment in associates	9	83,843,443	87,135,444	73,958,132
Accounts receivable	10	14,615,549	16,245,901	388,212
		222,065,045	226,367,678	122,728,721
Current assets				
Development properties	6	50,740,441	44,803,289	65,232,367
Contract assets	22	74,363,325	400,423	39,095,448
Inventories		3,455,055	3,140,314	122,759
Accounts receivable	10	19,812,931	58,947,083	6,700
Prepayments and other receivables	11	28,592,696	11,218,120	8,739,949
Equity instruments at FVOCI	12	37,107,593	73,259,285	-
Investment in an associate	9	-	12,278,883	-
Cash and cash equivalents	13	85,055,054	2,424,697	624,372
		299,127,095	206,472,094	113,821,595
TOTAL ASSETS		521,192,140	432,839,772	236,550,316
EQUITY AND LIABILITIES				
Equity				
Capital	14	10,000,000	10,000,000	10,000,000
Statutory reserve	15	3,000,000	3,000,000	1,188,383
Contribution from a shareholder		82,133,810	82,133,810	40,000,000
Actuarial reserve		(924,497)	95,701	-
Fair value reserve of equity instruments at FVOCI		(2,774,332)	-	-
Retained earnings		38,774,660	37,753,117	12,301,307
Total equity		130,209,641	132,982,628	63,489,690
Non-current liabilities				
Due to related parties	27	120,000,000	165,851,632	60,240,900
Long-term borrowings	17	-	6,666,667	23,000,000
Employee termination benefits	18	6,660,288	5,459,047	926,954
Accounts payable	19	1,926,527	1,236,647	779,366
		128,586,815	179,213,993	84,947,220
Current liabilities				
Accounts payable	19	82,960,570	54,341,483	75,097,402
Accrued expenses and other payables	20	12,466,347	16,241,474	7,727,165
Contract liabilities	22	4,830,104	14,527,755	3,177,021
Refundable incentives	17	150,018,686	-	-
Current maturity of long-term borrowings	17	-	26,333,333	-
Zakat payable	21	12,119,977	9,199,106	2,111,818
		262,395,684	120,643,151	88,113,406
Total liabilities		390,982,499	299,857,144	173,060,626
TOTAL EQUITY AND LIABILITIES		521,192,140	432,839,772	236,550,316

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 *SR*	2017 *SR* *(Note 4)*
Revenue from contracts with customers	22	209,009,823	257,634,437
Cost of revenues	23	(183,368,078)	(197,800,623)
Gross profit		25,641,745	59,833,814
General and administrative expenses	24	(15,969,340)	(12,672,486)
Selling and marketing expenses	25	(4,387,697)	(3,302,610)
Operating profit		5,284,708	43,858,718
Finance costs	17, 18, 28	(7,088,179)	(8,452,122)
Dividend income from equity instruments at FVOCI	12	4,665,727	-
Impairment of equity instruments at FVOCI	12	-	(9,330,715)
Share of results of associates	9	(990,223)	4,891,711
Other income, net		4,178,087	466,476
Profit before zakat		6,050,120	31,434,068
Zakat	21	(3,311,400)	(4,170,641)
PROFIT FOR THE YEAR		2,738,720	27,263,427
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Change in fair value of equity instruments at FVOCI	12	(2,774,332)	-
Change in realized fair value of equity instruments at FVOCI		(1,717,177)	-
Remeasurements of defined benefit liability	18	(1,020,198)	95,701
Net OCI that will not be reclassified to profit or loss in subsequent years		(5,511,707)	95,701
Other comprehensive (loss) income for the year		(5,511,707)	95,701
Total comprehensive (loss) income for the year		(2,772,987)	27,359,128

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	*Capital*	*Statutory reserve*	*Contribution from a shareholder*	*Actuarial reserve*	*Fair value reserve of equity instruments at FVOCI*	*Retained earnings*	*Total*
		SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
For the year ended 31 December 2018:								
As at 1 January 2018	4	10,000,000	3,000,000	82,133,810	95,701	-	37,753,117	132,982,628
Net income for the year		-	-	-	-	-	2,738,720	2,738,720
Other comprehensive loss		-	-	-	(1,020,198)	(2,774,332)	(1,717,177)	(5,511,707)
Total comprehensive loss		-	-	-	(1,020,198)	(2,774,332)	1,021,543	(2,772,987)
Balance as at 31 December 2018		10,000,000	3,000,000	82,133,810	(924,497)	(2,774,332)	38,774,660	130,209,641
For the year ended 31 December 2017:								
As at 1 January 2017	4	10,000,000	1,188,383	40,000,000	-	-	12,301,307	63,489,690
Net income for the year		-	-	-	-	-	27,263,427	27,263,427
Other comprehensive income		-	-	-	95,701	-	-	95,701
Total comprehensive income		-	-	-	95,701	-	27,263,427	27,359,128
Additional contribution from a shareholder		-	-	36,870,652	-	-	-	36,870,652
Adjustment on subsidiaries IFRS remeasurement		-	-	5,263,158	-	-	-	5,263,158
Transfer to statutory reserve		-	1,811,617	-	-	-	(1,811,617)	-
Balance as at 31 December 2017	4	10,000,000	3,000,000	82,133,810	95,701	-	37,753,117	132,982,628

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SR	*SR*
		(Note 4)
OPERATING ACTIVITIES		
Profit for the year	**2,738,720**	27,263,427
Adjustments for non-cash items:		
Depreciation and amortization	**1,729,726**	2,840,273
End of service indemnities	**1,229,328**	1,286,804
Gain on disposal of investment properties	**-**	(22,325,245)
Loss on sale property and equipment	**4,992**	-
Utilization of provision of onerous contracts	**-**	(264,960)
Impairment of equity instruments at FVOCI	**-**	9,330,715
Share of results of associates	**990,223**	(4,891,711)
Dividends income	**(4,665,727)**	-
Zakat	**3,311,400**	4,170,641
	5,338,662	17,409,944
Changes in working capital:		
Development properties	**(7,342,810)**	54,525,974
Inventories	**(314,741)**	402,013
Contract assets	**(73,962,902)**	641,668
Accounts receivable	**41,595,562**	(85,087,790)
Prepayments and other receivables	**(17,374,576)**	(1,147,046)
Accounts payable	**29,308,967**	1,562,270
Accrued expenses and other payables	**(3,775,127)**	403,131
Contract liabilities	**(9,697,651)**	11,646,357
	(36,224,616)	356,521
Zakat paid	**(390,529)**	(290,467)
End of service indemnities paid	**(1,392,086)**	(886,425)
Net cash used in operating activities	**(38,007,231)**	(820,371)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(1,021,505)**	(1,243,348)
Proceeds froms sale of property and equipment	**138,950**	110,805
Investment properties	**-**	(3,842,057)
Acquisition of an associate	**-**	(41,290,000)
Additions to intangible assets	**(66,225)**	(334,573)
Dividends received	**3,834,669**	-
Redemption of investment in associates	**14,580,661**	40,940,000
Proceeds from equity instruments at FVOCI	**31,660,183**	-
Net cash from (used in) investing activities	**49,126,733**	(5,659,173)

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SR	*SR*
		(Note 4)
FINANCING ACTIVITIES		
Proceeds from refundable incentives	150,018,686	-
Repayments of long-term borrowings	(33,000,000)	-
Long term borrowings	-	10,000,000
Change in due to related parties	(45,507,831)	(2,762,917)
Net cash from financing activities	71,510,855	7,237,083
Net change in cash and cash equivalents	82,630,357	757,539
Cash and cash equivalents at the beginning of the year	2,424,697	624,372
Increase in cash and cash equivalent on acquisition of subsidiaries	-	1,042,786
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	85,055,054	2,424,697

NON-CASH TRANSACTIONS:

	2018	2017
	SR	*SR*
End of service indemnity transferred from (to) a related party (note 18)	343,801	(62,752)
Transfers from development properties to investment properties	4,241,561	-
Investment properties transferred from related parties (note 7)	-	6,500,000
Investments properties sold against equity instruments at FVOCI (note 12)	-	28,560,000
Development properties sold against equity instruments at FVOCI (note 12)	-	54,030,000
Land transferred from development properties to investment properties (note 6 and 27)	-	19,382,864
Change in fair value of equity instruments at FVOCI charged to retained earnings on disposal (note 12)	1,717,177	-
Change in fair value of equity instruments at FVOCI	1,057,155	-

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 COMPANY INFORMATION

Retal Urban Development Company ("the Parent Company") is a limited liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012). The registered address of the Company is P.O. Box 1448 Prince Faisal Bin Fahad Bin Abdulazizi Avenue, Al Khobar, 31952, Kingdom of Saudi Arabia.

The Parent Company is principally engaged in:

- Purchase of land for construction, development, investment, sale or leasing purpose;
- Construction of buildings, dams, and tunnels;
- Management and operating of factories, industrial projects, malls, hotels, restaurants and supermarkets;
- Maintenance and repair of irrigation and drainage works, including airports, water facilities, sanitation, telephone networks and artesian wells.

These consolidated financial statements comprises the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Effective ownership		
	2018	2017	2016
	%	%	%
Tadbeir Real Estate Company ("Tadbeir")	**100**	100	100
Nesaj Urban Development Company ("Nesaj")	**100**	100	-
Building and Construction Company ("BCC")	**100**	100	-

Tadbeir

Tadbeir is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (4 November 2014). The registered address of the Company is P.O. Box 38, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

The Company is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

Nesaj

Nesaj is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (5 August 2012). The registered address of the Company is P.O.Box 31059, Al Turki business park, Al-Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of the Company are:
- Buying lands and constructing buildings on them for sale or rental to third parties;
- Management, maintenance and development of real estate;
- Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
- General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

During 2017, Al Fozan Holding Company transfered its entire share in Nesaj to the Company effective 1 January 2017.

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1 COMPANY INFORMATION (Continued)

Nesaj (Continued)

The details of Nesaj's net assets transferred to the Company as at 1 January 2017 is as follow:

	1 January 2017 SR *(Note 4)*
ASSETS	
Non-current assets	
Property and equipment	878,070
Intangible assets	82,226
Development properties	51,272,553
Investment in an associate	20,214,484
Investment in a subsidiary	13,399,082
	85,846,415
Current assets	
Inventories	798,957
Development properties	70,360,335
Accounts receivable	1,150,325
Prepayments and other receivables	903,675
Cash and cash equivalents	168,441
	73,381,733
TOTAL ASSETS	159,228,148
Non-current liabilities	
Due to related parties	106,933,713
Employee termination benefits	1,082,603
	108,016,316
Current liabilities	
Due to related parties	3,761,497
Accrued expenses and other payables	2,798,675
Zakat payable	2,688,930
	9,249,102
Total liabilities	117,265,418
NET ASSETS TRANSFERRED	41,962,730

BCC

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of the Company is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

The Company is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

During 2017, Nesaj Urban Development Company transfered its entire share in BCC to the Company effective 1 January 2017.

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1 COMPANY INFORMATION (Continued)

BCC (Continued)

The details of BCC's net assets transferred to the Company as at I January 2017 is as follow:

	1 January 2017 SR *(Note 4)*
ASSETS	
Non-current assets	
Property and equipment	2,554,811
Intangible assets	98,250
Due from a related party	11,984,758
Retentions receivable	977,346
	15,615,165
Current assets	
Inventories	2,620,611
Contract assets	1,042,091
Accounts receivable	4,430,783
Prepayments and other receivables	1,697,860
Bank balances	874,345
	10,665,690
TOTAL ASSETS	26,280,855
Non-current liability	
Employee termination benefits	3,207,564
Current liabilities	
Accounts payable	3,912,191
Accrued expenses and other payables	3,942,527
Contract liabilities	728,886
Provision for onerous contracts	338,321
Zakat payable	518,184
	9,440,109
Total liabilities	12,647,673
NET ASSETS TRANSFERRED	13,633,182

2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants. Details of the Group's significant accounting policies are disclosed in note 30.

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia ("local GAAP"). These consolidated financial statements for the year ended 31 December 2018 are for the first year for which the Group prepares its financial statements in accordance with IFRS. Refer to note 4 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and defined benefit obligations measured at fair value. The financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management	Note 29
- Sensitivity analysis disclosures	Note 18 and 29

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recogized in the financial statements:

Allowance for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Economic useful lives of property and equipment/ investment property

The Group's management determines the estimated useful lives of its property and equipment/ investment property for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives when necessary and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertain zakat positions

The Group's current zakat payable of SR 12,119,977 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 21 describes the status of zakat and tax assessments.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for development and investment properties at each reporting date. The development and investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Revenue recognition

The Group uses the percentage-of-completion method ("POC") in accounting for its fixed-price contracts to perform contracting work. Use of POC requires the Group to estimate the total cost to complete a contract.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions (Continued)

End of service benefits

The present value of the end of service obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) the end of service include the discount rate. Any changes in these assumptions will impact the carrying amount of end of service obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the obligations.

4 FIRST-TIME ADOPTION OF IFRS

These consolidated financial statements, for the year ended 31 December 2018, are for the first year for which the Group prepares its consolidated financial statements in accordance with IFRS. For all periods up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with Local GAAP.

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS applicable as at 31 December 2018, together with the comparative period data. In preparing the consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2017, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP consolidated financial statements, including the consolidated statement of financial position as at 1 January 2017 and 31 December 2017 and the consolidated statements of comprehensive income and cash flows for the year ended 31 December 2017.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has utilized the following exemptions:

- The Group has applied the exemption for completed contracts under IFRS 1 First-Time Adoption of IFRS and accordingly and has not restated revenue for contracts completed before 1 January 2017.
- The Group has applied the transitional provision in IFRS 15 Revenue from Contracts with Customers and used the transaction price at the date a contract with variable consideration was completed rather than estimating variable consideration amounts in the comparative reporting periods.

Estimates

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from 'Employees' terminal benefits' where application of Local GAAP results in different estimates.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

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4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 1 January 2017 (date of transition to IFRS):

	Notes	Local GAAP	Remeasurement	IFRS as at 1 January 2017
ASSETS		SR	SR	SR
Non-current assets				
Property and equipment	A	1,840,458	18,840	1,859,298
Development properties		30,629,789	-	30,629,789
Investment properties		15,893,290	-	15,893,290
Investment in associates	B	-	73,958,132	73,958,132
Available for sale investment	B	90,519,732	(90,519,732)	-
Accounts receivable	C	-	388,212	388,212
		138,883,269	(16,154,548)	122,728,721
Current assets				
Development properties		65,232,367	-	65,232,367
Contract assets		39,095,448	-	39,095,448
Inventories		122,759	-	122,759
Accounts receivable		6,700	-	6,700
Prepayments and other receivables	C	9,181,618	(441,669)	8,739,949
Cash and cash equivalents		624,372	-	624,372
		114,263,264	(441,669)	113,821,595
TOTAL ASSETS		253,146,533	(16,596,217)	236,550,316
EQUITY AND LIABILITIES				
Equity				
Capital		10,000,000	-	10,000,000
Statutory reserve		1,188,383	-	1,188,383
Contribution from a shareholder		40,000,000	-	40,000,000
Retained earnings	A,B,C,D	2,327,825	9,973,482	12,301,307
Unrealized gain from available for sale - investment	B	26,639,732	(26,639,732)	-
Total equity		80,155,940	(16,666,250)	63,489,690
Non-current liabilities				
Due to related parties		60,240,900	-	60,240,900
Long-term borrowings		23,000,000	-	23,000,000
Employee termination benefits	D	785,735	141,219	926,954
Accounts payable	E	-	779,366	779,366
		84,026,635	920,585	84,947,220
Current liabilities				
Accounts payable	E	75,947,954	(850,552)	75,097,402
Accrued expenses and other payables		7,727,165	-	7,727,165
Contract liabilities		3,177,021	-	3,177,021
Zakat payable		2,111,818	-	2,111,818
		88,963,958	(850,552)	88,113,406
Total liabilities		172,990,593	70,033	173,060,626
TOTAL EQUITY AND LIABILITIES		253,146,533	(16,596,217)	236,550,316

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4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 31 December 2017:

	Notes	Local GAAP	Remeasurement	IFRS as at 31 December 2017
ASSETS		SR	SR	SR
Non-current assets				
Property and equipment		4,080,153	503,389	4,583,542
Development properties		79,798,392	-	79,798,392
Investment properties	F	32,441,910	2,683,472	35,125,382
Intangible assets		3,479,017	-	3,479,017
Investment in associates	B	95,058,424	(7,922,980)	87,135,444
Accounts receivable	C	11,984,758	4,261,143	16,245,901
		226,842,654	(474,976)	226,367,678
Current assets				
Development properties	F	47,453,224	(2,649,935)	44,803,289
Contract assets		400,423	-	400,423
Inventories		3,140,314	-	3,140,314
Accounts receivable	C	60,403,539	(1,456,456)	58,947,083
Prepayments and other receivables	C	14,943,864	(3,725,744)	11,218,120
Equity instruments at FVOCI		73,259,285	-	73,259,285
Investment in an associate		12,278,883	-	12,278,883
Cash and cash equivalents		2,424,697	-	2,424,697
		214,304,229	(7,832,135)	206,472,094
TOTAL ASSETS		441,146,883	(8,307,111)	432,839,772
EQUITY AND LIABILITIES				
Equity				
Capital		10,000,000	-	10,000,000
Statutory reserve		3,000,000	-	3,000,000
Contribution from shareholder		76,870,652	5,263,158	82,133,810
Actuarial reserve			95,701	95,701
Retained earnings	A,B,C,D	43,723,315	(5,970,198)	37,753,117
Unrealized gain from available for sale				-
- investment	B	7,922,983	(7,922,983)	-
Total equity		141,516,950	(8,534,322)	132,982,628
Non-current liabilities				
Due to related parties		166,707,193	(855,561)	165,851,632
Long-term borrowings		6,666,667	-	6,666,667
Employee termination benefits	D	5,176,171	282,876	5,459,047
Accounts payable	E	-	1,236,647	1,236,647
		178,550,031	663,962	179,213,993
Current liabilities				
Accounts payable	E	54,757,319	(415,836)	54,341,483
Accrued expenses and other payables		16,262,389	(20,915)	16,241,474
Contract liabilities		14,527,755	-	14,527,755
Current maturity of long-term borrowings		26,333,333	-	26,333,333
Zakat payable		9,199,106	-	9,199,106
		121,079,902	(436,751)	120,643,151
Total liabilities		299,629,933	227,211	299,857,144
TOTAL EQUITY AND LIABILITIES		441,146,883	(8,307,111)	432,839,772

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2017:

	Notes	Local GAAP	Remeasurement	IFRS for the year ended 31 December 2017
		SR	SR	SR
Revenue from contracts with customers		257,634,437	-	257,634,437
Cost of revenue		(197,948,350)	147,727	(197,800,623)
Gross profit		59,686,087	147,727	59,833,814
General and administrative expenses	D	(12,888,720)	216,234	(12,672,486)
Selling and marketing expenses		(3,302,610)	-	(3,302,610)
Operating profit		43,494,757	363,961	43,858,718
Finance costs	C	(7,437,094)	(1,015,028)	(8,452,122)
Dividends income	B	21,242,109	(21,242,109)	-
Impairment of equity instruments at FVOCI		(9,330,715)	-	(9,330,715)
Share of results of associates	B	(1,057,785)	5,949,496	4,891,711
Other income		466,476		466,476
Profit before zakat		47,377,748	(15,943,680)	31,434,068
Zakat		(4,170,641)	-	(4,170,641)
PROFIT FOR THE YEAR		43,207,107	(15,943,680)	27,263,427
Other Comprehensive Income (OCI)				
OCI that will not be reclassified to profit or loss in subsequent years:				
Remeasurements of defined benefit liability	D	-	95,701	95,701
Net OCI that will not be reclassified to profit or loss in subsequent years		-	95,701	95,701
Other comprehensive income for the year		-	95,701	95,701
Total comprehensive income for the year		43,207,107	(15,847,979)	27,359,128

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4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of cash flows for the year ended 31 December 2017:

	Local GAAP	Remeasurement	IFRS for the year ended 31 December 2017
	SR	SR	SR
OPERATING ACTIVITIES			
Profit for the year	47,377,748	(20,114,321)	27,263,427
Adjustments for non-cash items:			
Depreciation and amortization	2,907,593	(67,320)	2,840,273
End of service indemnities	1,396,096	(109,292)	1,286,804
Gain on disposal of Investment properties	(22,325,245)	-	(22,325,245)
Loss on disposal of property and equipment	(110,790)	110,790	-
Utilization of provision for onerous contracts	(264,960)	-	(264,960)
Impairment of equity instruments at FVOCI	9,330,715	-	9,330,715
Share of results of associates	1,057,785	(5,949,496)	(4,891,711)
Dividends income	(21,242,109)	21,242,109	-
Zakat	4,170,641	-	4,170,641
	22,297,474	(4,887,530)	17,409,944
Changes in working capital:			
Development properties	54,525,974	-	54,525,974
Inventories	402,013	-	402,013
Contract assets	641,668	-	641,668
Accounts receivable	(61,295,477)	(23,792,313)	(85,087,790)
Prepayments and other receivables	(3,179,703)	2,032,657	(1,147,046)
Accounts payable	(1,029,406)	2,591,676	1,562,270
Accrued expenses and other payables	(235,095)	638,226	403,131
Contract liabilities	9,597,279	2,049,078	11,646,357
	21,724,727	(21,368,206)	356,521
Zakat paid	(290,467)	-	(290,467)
End of service indemnities paid	(886,425)	-	(886,425)
Net cash flows used in operating activities	20,547,835	(21,368,206)	(820,371)
INVESTING ACTIVITIES			
Purchase of property and equipment	(1,544,421)	301,073	(1,243,348)
Proceeds froms sale of property and equipment	287,327	(176,522)	110,805
Investment properties	(3,842,057)	-	(3,842,057)
Acquisition of an associate	(41,290,000)	-	(41,290,000)
Additions to intangible assets	(33,500)	(301,073)	(334,573)
Dividends received	21,242,109	(21,242,109)	-
Redemption of investment in associates	-	40,940,000	40,940,000
Proceeds from available for sale investments	19,697,891	(19,697,891)	-
Net cash flows used in investing activities	(5,482,651)	(176,522)	(5,659,173)

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4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of cash flows for the year ended 31 December 2017: (Continued)

	Local GAAP	Remeasurement	IFRS for the year ended 31 December 2017
	SR	SR	SR
FINANCING ACTIVITIES			
Long term borrowings	10,000,000	-	10,000,000
Change in due to related parties	(24,307,645)	21,544,728	(2,762,917)
Net cash flows from financing activities	(14,307,645)	21,544,728	7,237,083
Net change in cash and cash equivalents	757,539	-	757,539
Cash and cash equivalents at the beginning of the year	624,372	-	624,372
Increase in cash and cash equivalent on acquisition of subsidiaries	1,042,786	-	1,042,786
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,424,697	-	2,424,697

Notes to the reconciliation of equity as at 1 January 2017 and 31 December 2017 and total comprehensive income for the year ended 31 December 2017:

A **Property and equipment**

Previously, property and equipment were presented at their carrying amounts as non-current assets. The management re-evaluated its vehicles and heavy equipment as at reporting date and recorded it after deducting the residual value and recalculated the depreciation expenses.The difference as at 1 January 2017 and 31 December 2017 amounting to SR 18,840 and SR 503,389 respectively was charged to retained earnings.

B **Equity instruments at FVOCI**

Previously, investment in Ewan Al Qayrawan Real Estate Fund (note 9) was accounted for as available foi sale investment under local GAAP. This investment meets the definition of an associate under IFRS as per IAS 28 given the significant influence the Company has over the fund by the virtue of two out of five directors of the Company in the board of the fund.

Recognition of investment as an investment in an associate requires initially recognition of investment at cost and is subsequently adjusted by the Company's share of the fund's post acquisition change in net assets.

The Company's statement of comprehensive income reflects its share of the investee's post acquisition change in net assets and previously recognised unrealised gain and dividend to be reversed. All these adjustments have been charged to retained earnings.

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Notes to the reconciliation of equity as at 1 January 2017 and 31 December 2017 and total comprehensive income for the year ended 31 December 2017: (Continued)

C Accounts receivable

Previously, Accounts and retentions receivable were presented at their nominal amounts as current assets. Under IFRS, accounts and retentions receivable which are expected to be collected beyond twelve months from the date of the statement of financial position are presented at their net present values as non-current assets. IFRS 9 require financial assets of long-term nature to be discounted and recognized at their net present values using a reasonable discount rate. The portion of the staff receivables of SR 441,669 as at 1 January 2017, which were payable in more than 12 months were reclassified to non current assets and recorded at net present value by discounting by SR 53,457. As at 31 December 2017 staff receivables of SR 3,725,744 has been reclassified to non current asset and related discounting amount was SR 816,229. The difference between the nominal amounts and net present values of retentions receivable as at 31 December 2017 amounting to SR 104,828 was charged to retained earnings.

D Defined benefit obligation

Under Local GAAP, the Group recognised costs related to its employees' terminal benefits by calculating the obligation using current salary levels and assuming all contracts are terminated by the Group. Under IFRS, terminal benefits are recognised using the projected unit credit method. The required obligation under IFRS as at 1 January 2017 was less by SR 141,219 and the difference has been recognised against retained earnings. The required obligation under IFRS as at 31 December 2017 was increased by SR 282,876 and the difference has been recognised in the statement of profit or loss and the remeasurement differences as at 31 December 2017 of SR 95,701 has been recognised in retained earnings through OCI.

E Accounts payable

Previously, long term payables were presented at their nominal amounts as current liabilities. Under IFRS, long term payables which are expected to be paid beyond twelve months from the date of the statement of financial position are presented at their net present values as non-current liabilities.The portion of retentions payable of SR 850,552 as at 1 January 2017, which were payable in more than 12 months were reclassified to non current liabilities and recorded at net present value by discounting by SR 71,186. As at 31 December 2017 retentions payable of SR 1,236,647 has been reclassified to non current liabilities and related discounting amount was SR 55,665.

F Investment properties

Certain properties of SR 2,649,935 recorded in projects under development were reclassified to investment properties and related depreciation of SR 33,537 were booked.

G Others

In addition to above IFRS adoption adjustments, certain items in the statements of financial position and income have been reclassified to meet the presentation and disclosure requirements in accordance with IFRS as endorsed in KSA, which have not resulted in any additional impact on equity or net income for comparative figures.

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5 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	*Machinery and equipment*	*Vehicles*	*Leasehold improvements*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Cost						
Balance as at 1 January 2017	1,727,916	236,270	350,660	1,846,410	88,404	4,249,660
Transfer on acquisition (note 1)	4,050,858	15,849,942	1,812,865	954,358	-	22,668,023
Additions	247,592	189,920	477,292	-	328,546	1,243,350
Disposals	(95,600)	(577,269)	(229,000)	-	-	(901,869)
Balance as at 31 December 2017	5,930,766	15,698,863	2,411,817	2,800,768	416,950	27,259,164
Additions	**345,560**	**337,445**	**338,500**	-	-	**1,021,505**
Disposals	-	-	**(180,000)**	-	-	**(180,000)**
Tranfer to intangible assets	-	-	-	-	**(416,950)**	**(416,950)**
At 31 December 2018	**6,276,326**	**16,036,308**	**2,570,317**	**2,800,768**	-	**27,683,719**
Accumulated depreciation						
Balance as at 1 January 2017	689,670	159,757	8,895	1,532,040		2,390,362
Transfer on acquisition (note 1)	2,942,383	14,374,057	1,352,321	566,381	-	19,235,142
Charge for the year	663,352	461,467	114,488	536,143	-	1,775,450
Disposals	(95,594)	(577,260)	(52,478)	-	-	(725,332)
At 31 December 2017	4,199,811	14,418,021	1,423,226	2,634,564	-	22,675,622
Charge for the year	**631,278**	**390,721**	**191,165**	**84,429**	-	**1,297,593**
Disposals	-	-	**(36,058)**	-	-	**(36,058)**
At 31 December 2018	**4,831,089**	**14,808,742**	**1,578,333**	**2,718,993**	-	**23,937,157**
Net book values						
At 31 December 2018	**1,445,237**	**1,227,566**	**991,984**	**81,775**	-	**3,746,562**
At 31 December 2017	1,730,955	1,280,842	988,591	166,204	416,950	4,583,542

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6 DEVELOPMENT PROPERTIES

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
Long term:			
At 1 January 2017	27,205,245	3,424,544	30,629,789
Additions	-	24,684,091	24,684,091
Transfer on acquisition (note 1)	49,658,803	1,613,750	51,272,553
Transferred to investment properties - (note 7)	(26,788,041)	-	(26,788,041)
At 31 December 2017	50,076,007	29,722,385	79,798,392
Additions	**-**	**12,849,174**	**12,849,174**
Transferred to investment properties - (note 7)	**(535,137)**	**(844,863)**	**(1,380,000)**
Cost of units / projects sold	**(3,745,959)**	**(10,559,118)**	**(14,305,077)**
At 31 December 2018	**45,794,911**	**31,167,578**	**76,962,489**

Long term development properties mainly represent land and development cost incurred by the Group for Al-Qairwan project II and to purchase and develop the land of Bawabat Al Sharq project.

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
Short term:			
At 1 January 2017	18,909,982	46,322,385	65,232,367
Transfer on acquisition (note 1)	15,019,596	52,189,532	67,209,128
Additions	-	25,469,879	25,469,879
Transferred to investment properties - (note 7)	(2,488,150)	(5,939,991)	(8,428,141)
Cost of units / projects sold	(18,019,741)	(86,660,203)	(104,679,944)
At 31 December 2017	13,421,687	31,381,602	44,803,289
Additions	**-**	**25,878,181**	**25,878,181**
Transferred to investment properties	**(995,263)**	**(1,866,298)**	**(2,861,561)**
Cost of units / projects sold	**(3,285,456)**	**(13,794,012)**	**(17,079,468)**
At 31 December 2018	**9,140,968**	**41,599,473**	**50,740,441**

Short term development properties represent mainly the cost of land and developments incurred by the Group toward the construction of Retal Square residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months. It also includes cost of land and payments incurred by the Group toward residential units of Al Samhanya (Block 44), Al Safa, Al Dawahi and other projects for the purpose of sale in future. The projects have been completed and are ready for sale.

6 DEVELOPMENT PROPERTIES (Continued)

Short term: (Continued)
During the year 2017, the Company signed an agreement with Derayah Financial Corporation Company ("Derayah REIT") to sell real estate units with cost of SR 67,917,206 (note 23), compatible with the laws of Real Estate funds issued by the Capital Market Authority for construction develpment. According to the agreement, the Company contributed project ("the Grand") for SR 90,050,000 collected as cash and units issued in the fund (note 12).

Property cost amounted to SR 1.2 million (2017: SR 1.2 million) is registered under the name of a related party. Legal formalities associated with the transfer of the ownership to the Company are still in process at year-end.

7 INVESTMENT PROPERTIES

	Land	*Building*	*Total*
	SR	*SR*	*SR*
Cost:			
At 1 January 2017	-	15,893,290	15,893,290
Additions	-	3,842,057	3,842,057
Transferred from related parties	1,861,000	4,639,000	6,500,000
Transferred from development properties - (note 6)	29,276,191	5,939,991	35,216,182
Disposal	(1,861,000)	(24,374,347)	(26,235,347)
At 31 December 2017	29,276,191	5,939,991	35,216,182
Transferred from development properties	**1,530,400**	**2,711,161**	**4,241,561**
At 31 December 2018	**30,806,591**	**8,651,152**	**39,457,743**
Accumulated depreciation:			
Charge for the year 2017	-	940,602	940,602
Disposals	-	(849,802)	(849,802)
At 31 December 2017	-	90,800	90,800
Charge for the year	-	**283,771**	**283,771**
At 31 December 2018	-	**374,571**	**374,571**
Net book value as at 31 December 2018	**30,806,591**	**8,276,581**	**39,083,172**
Net book value as at 31 December 2017	29,276,191	5,849,191	35,125,382

As at 1 January 2017, investment properties represent costs incurred by the Group for The Valley project. The project consists of commercial stores for rental and it's constructed on a leased land for 21 years and six months started from 22 October 2015.

During 2017, the Group signed an agreement with Derayah Financial Corporation Company ("Derayah REIT") to sell real estate units, compatible with the laws of Real Estate funds issued by the Capital Market Authority for construction development. According to the agreement, the Group sold The Valley Mall and Labor Accomodation Building against SR 47,600,000 collected as cash and units issued in the fund, the Group owns 2,856,000 units in the fund which represents 2.66% from the total fund's units (note 12).

As at 31 December 2018 and 2017, investment properties mainly represent apartments amounted to SR 12.6 million, that are held for the purpose of generating lease income. The remaining balance of SR 29.4 million represents investment in land held for future appreciation, and/or development.

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7 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer Ahmed & Mohammed Ibrahim Bin Saeedan Sons Real Estate Company, who is licensed by Saudi Authority for Accredited Valuers. As at 31 December 2018, the valuation of the above investment properties amounted to SR 84,627,405.

8 INTANGIBLE ASSETS

	Goodwill	*Software and ERP systems*	*Total*
	SR	*SR*	*SR*
Cost:			
Transfer on acquisition (note 1)	3,088,189	474,557	3,562,746
Additions	-	334,573	334,573
At 31 December 2017	3,088,189	809,130	3,897,319
Additions	-	66,225	66,225
Transfer from capital work in progress (note 5)	-	416,950	416,950
At 31 December 2018	**3,088,189**	**1,292,305**	**4,380,494**
Accumulated amortization:			
Transfer on acquisition (note 1)	-	294,081	294,081
Charge for the year	-	124,221	124,221
At 31 December 2017	-	418,302	418,302
Charge for the year	-	148,362	148,362
At 31 December 2018	-	**566,664**	**566,664**
Net book values:			
At 31 December 2018	**3,088,189**	**725,641**	**3,813,830**
At 31 December 2017	3,088,189	390,828	3,479,017
Useful lives		**3 - 4 years**	

The Group performed its goodwill annual impairment test for its subsidiaries at 31 December 2018 and 2017. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2018, the market capitalisation of the subsidiaries were above the book value of its equity, indicating no impairment of goodwill.

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9 INVESTMENT IN ASSOCIATES

The Company's investment in associates comprise the following:

	Note	31 December 2018	31 December 2017	1 January 2017
		SR	*SR*	*SR*
Investment in associates:				
Ewan Al Maali Real Estate Fund	A	**39,885,854**	40,232,215	-
Ewan Al-Qayrawan Real Estate Fund	B	**43,957,589**	46,903,229	73,958,132
Al Dawahi Real Estate Fund	C	**-**	12,278,883	-
Total investment in associates		**83,843,443**	99,414,327	73,958,132

The movement of investment in associates during the years ended 31 December is as follows:

	2018	2017
	SR	*SR*
At 1 January	**99,414,327**	73,958,132
Additions	**-**	61,504,484
Redemption of units	**(14,580,661)**	(40,940,000)
Share of results, net	**(990,223)**	4,891,711
At 31 December	**83,843,443**	99,414,327

A. Ewan Al Maali Real Estate Fund
Represents the Company's 54.17% investment share in Ewan Al-Maali Real Estate Fund. The Company owns 412,900 units out of 762,500 units at par value of SR 100 for each.

The following table summarizes the financial Position of Ewan Al Maali Real Estate Fund:

	31 December 2018	*31 December 2017*
	SR	*SR*
Total assets	**146,463,990**	154,811,147
Total liabilities	**(72,827,092)**	(80,534,770)
Equity	**73,636,898**	74,276,377
group's share in equity	**39,885,854**	40,232,215

The following table summarizes the statement of profit or loss and other comprehensive income of Ewan Al Maali Real Estate Fund:

	2018	*2017*
	SR	*SR*
Revenue	**18,061,150**	-
Loss for the year	**(639,479)**	(1,973,623)
Total comprehensive loss	**(639,479)**	(1,973,623)
Group's share of total comprehensive loss	**(346,361)**	(1,057,785)

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9 INVESTMENT IN ASSOCIATES (Continued)

The movement in the investment in Ewan Al Maali Real Estate Fund is as follows:

	2018	*2017*
	SR	*SR*
At 1 January	40,232,215	-
Additions	-	41,290,000
Share of loss	(346,361)	(1,057,785)
At 31 December	39,885,854	40,232,215

B. Ewan Al-Qayrawan Real Estate Fund
In 2015, the Group sold a land with a book value of SR 91.7 million to Ewan Al-Qayrawan real estate fund managed by SWICORP for SR 96.5 million. The Group received SR 32.6 million in cash and SR 63.9 million in the form of 57.03% investment share in 6.4 million units out of total fund units of 11.2 million that have a par value of SR 10 for each.

The following table summarizes the financial information of Ewan Al-Qayrawan as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Ewan Al-Qayrawan.

	31 December 2018	*31 December 2017*
	SR	*SR*
Total assets	77,851,130	83,161,262
Total liabilities	(778,216)	(923,796)
Equity	77,072,914	82,237,466
Company's share in equity	43,957,589	46,903,229

The following table summarizes the statement of profit or loss and other comprehensive income of Ewan Al-Qayrawan Real Estate Fund:

	2018	*2017*
	SR	*SR*
Revenue	6,060,250	66,178,500
(Loss) profit for the year	(684,553)	8,565,832
Total comprehensive (loss) income	(684,553)	8,565,832
Company's share of total comprehensive (loss) income	(390,440)	4,885,097

The movement in the investment in Ewan Al-Qayrawan Real Estate Fund is as follows:

	2018	*2017*
	SR	*SR*
At 1 January	46,903,229	73,958,132
Redemption of units	(2,555,200)	(31,940,000)
Share of (loss) profit	(390,440)	4,885,097
At 31 December	43,957,589	46,903,229

9 INVESTMENT IN ASSOCIATES (Continued)

C. Al Dawahi Real Estate Fund

During 2014, the Group signed an agreement with Swicorp Inc to establish a real estate fund under the name of Al Dawahi Real Estate Fund ("The Fund"), compatible with the laws of Real Estate funds issued by the Capital Market Authority for construction develpment. According to the agreement, the Group contributed in the project land. The Company owned 300,000 units in the fund which represents 38.39% from the total fund's units. In addition, the Company signed an agreement with Swicorp for managing, developing and marketing in which the Company undertakes construction, development, construction desgins, electrical and plumbing works along with the interior and exterior designes. The Company is also responsible of receiving the required licenses and approvals for the project (Al Dawahi Real Estate Fund).

The Fund has matured during the year and the Company has received its share against share of 38.39% in total fund's units.

The movement of investment in Al Dawahi Real Estate Fund is as follows:

	2018 *SR*	2017 *SR*
At 1 January	12,278,883	-
Transfer on acquisition	-	20,214,484
Share of (loss) profit	(253,422)	1,064,399
Redemption of units	(12,025,461)	(9,000,000)
At 31 December	-	12,278,883

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10 ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Accounts receivable - third parties	7,772,454	4,729,829	394,912
Accounts receivable - related parties (note 27)	26,656,026	70,463,155	-
	34,428,480	75,192,984	394,912

Accounts receivables are classified into current and non-current receivables as follows:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Current receivables	19,812,931	58,947,083	6,700
Non-current receivables	14,615,549	16,245,901	388,212
	34,428,480	75,192,984	394,912

The non-current portion of accounts receivable represents balances that management estimates to be collected after one year from the date of the consolidated statement of financial position.

An aged analysis of trade receivables as at 31 December is as follows:

	Neither past due nor impaired	Past due but not impaired				
		< 180 days	181-365 days	366-730 days	> 730 days	Total
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
2018	7,286,805	248,789	208,933	21,227	6,700	7,772,454
2017	4,701,882	-	21,247	6,700	-	4,729,829

The Company records an allowance for expected credit losses considering various factors including age of the receivable balances, financial condition of the customers, etc. No expected credit loss has been recorded as there has not been a significant change in credit quality.

11 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Advances to suppliers	10,522,049	6,420,960	6,971,625
Prepaid expenses	8,868,732	3,849,168	706,402
Employee receivables	984,397	611,386	214,808
Others	8,217,518	336,606	847,114
	28,592,696	11,218,120	8,739,949

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12 EQUITY INSTRUMENTS AT FVOCI

The movement in equity instruments at FVOCI is as follows:

	2018	2017
	SR	*SR*
At 1 January	**73,259,285**	-
Acquired during the year	-	82,590,000
Impairement of equity instruments	-	(9,330,715)
Remeasurement recognised in OCI	**(4,491,509)**	-
Disposal of units	**(31,660,183)**	-
Fair value as at 31 December	**37,107,593**	73,259,285

During the year 2017, the Group signed agreements ("the Agreements") with Derayah Financial Corporation Company ("the Manager") which acts as the fund manager of Derayah REIT, a Real Estate Investment Traded Fund ("the REIT") that operates in accordance with Real Estate Investment Funds Regulations and REIT Funds Instructions issued by the Capital Market Authority (CMA). According to the Agreement, the Group contributed various projects in exchange of monetary and in-kind consideration amounted to SR 137,650,000. During the year 2017, the Group received the in-kind portion of the consideration which represents 8,259,000 units in the fund (7.7% unitholding of the total units of the Fund).

13 CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Cash on hand	**192,000**	48,188	15,000
Cash at bank	**84,863,054**	2,376,509	609,372
	85,055,054	2,424,697	624,372

Cash at banks include bank balance of SR 75,328,180 in a local bank in a restricted escrow account as at 31 December 2018 (31 December 2017: nil) (note 17).

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14 CAPITAL

The capital of the parent Company as at 31 December 2018 and 2017 comprise of 100,000 shares stated at SR 100 per share.

15 STATUTORY RESERVE

In accordance with Regulations for Companies and the Parent Company's Articles of Association, the Parent Company has established a statutory reserve by appropriation of 10% of net income until the reserve reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

16 CONTRIBUTION FROM A SHAREHOLDER

As at 31 December 2018 and 2017, contribution from a shareholder represents amount contributed by Al Fozan Holding Company to support the core business operations of the Company. Effective 1 January 2017, the shareholder transferred his entire share in Nesaj Urban Development Company as an additional contribution. The entire contribution is interest free.

17 BORROWINGS

17.1 LONG-TERM BORROWINGS

Long term borrowings comprise the following:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Non-current portion	-	6,666,667	23,000,000
Current portion	-	26,333,333	-
	-	33,000,000	23,000,000

During 2016, the Group obtained a term loan amounted to SR 23,000,000 from a local bank to finance the construction of Al Qayrawn II project (note 6). This loan is payable in four equal quarterly instalments commencing from 31 March 2018. The loan is secured against personal guarantees of the shareholders of the Group, promissory notes, corporate guarantees and undertaking to pledge or to allow lien on the Group's land of the project.

During 2017, the Group obtained a term loan amounted to SR 10,000,000 from a local bank to finance the working capital of the Group. This loan is payable in twelve equal quarterly instalments starting from 31 March 2018. The loan is secured against personal guarantees of the shareholders of the Group, promissory notes, corporate guarantees and undertaking to pledge or to allow lien on the Group's land in investment properties (note 7).

Both loans carry an interest at Saudi Arabia Inter Bank Offered Rate (SAIBOR) plus certain margin.

The maturity profile of long-term borrowings is as follows:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Years ending 31 December:			
2018	-	26,333,333	23,000,000
2019	-	3,333,334	-
2020	-	3,333,333	-
	-	33,000,000	23,000,000

During the year the Group settled all its loans from local bank.

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17 BORROWINGS

17.2 REFUNDABLE INCENTIVES

During the year, the Company signed an agreement for the development, marketing and construction of Nesaj Town Project (the "Project") with Ministry of Housing (MOH) to build 609 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH's homeownership program. Refundable Incentive represents funds received from MOH to support the Company in financing the project. The incentive amount was deposited in an escrow bank account where withdrawals are restricted to project related expenditures (note 13). Upon completing the construction work, which is expected by the end of year 2019, MOH will withdraw the incentive balance from the sale proceeds deposited in the escrow bank account. Further, the MOH is committed to buy the remaining unsold residential units by the time of completing the construction. Settlement related to this commitment will be through offsetting the refundable incentive balance.

18 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2018	2017
	SR	*SR*
1 January	**5,459,047**	926,954
Transfer on acquisition (note 1)	**-**	4,290,167
Expense charged to profit or loss	**1,229,328**	1,286,804
Actuarial remeasurement charged to OCI	**1,020,198**	(95,701)
Payments	**(1,392,086)**	(886,425)
Net transferred from (to) a related party (note 27)	**343,801**	(62,752)
31 December	**6,660,288**	5,459,047

The expense charged to profit or loss comprise of:

	2018	2017
	SR	*SR*
Current service cost	**1,038,917**	1,099,460
Interest cost	**190,411**	187,344
Cost recognized in profit or loss	**1,229,328**	1,286,804

Significant actuarial assumptions	**As at 31 December**	
	2018	2017
Discount factor used	**4.15%**	3.40%
Salary increase rate	**4.15%**	4%
Rates of employee turnover	**Heavy**	Heavy

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18 EMPLOYEE TERMINATION BENEFITS (Continued)

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2018		31 December 2017	
	%	SR	%	SR
Discount rate				
Increase	+ 0.5%	6,425,897	+ 0.5%	5,279,811
Decrease	- 0.5%	6,910,817	- 0.5%	5,650,034
Salary growth rate				
Increase	+ 0.5%	6,839,255	+ 0.5%	5,573,546
Decrease	- 0.5%	6,490,574	- 0.5%	5,350,008

19 ACCOUNTS PAYABLE

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Accounts payable- third party	14,395,913	6,923,779	3,972,362
Accounts payable- related party (note 27)	65,510,228	43,770,194	67,159,525
Retention payable	4,980,956	4,884,157	4,744,881
	84,887,097	55,578,130	75,876,768

Accounts payable are classified into current and non-current payable as follows:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Current payables	82,960,570	54,341,483	75,097,402
Non-current payables	1,926,527	1,236,647	779,366
	84,887,097	55,578,130	75,876,768

The non-current portion of accounts payable represents balances that management estimates it will pay after one year from the date of the statement of financial position.

20 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Advances from customers	7,174,934	2,525,066	3,793,360
Advance from a related party (note 27)	22,933	2,671,298	-
Unearned revenue	1,194,383	2,816,519	-
Provision for contingencies	83,819	5,638,814	2,395,948
Employees' accruals	1,044,537	1,630,220	908,853
Others	2,945,741	959,557	629,004
	12,466,347	16,241,474	7,727,165

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21 ZAKAT PAYABLE

Basis for Zakat:

The Group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets. Zakat is calculated at the Company's and each subisidiary zakat base as a standalone entity. However, zakat return is filed with GAZT at Al Fozan Holding Company level (the ultimate shareholder) as a consolidated filing.

The movement in the zakat payable for the Group is as follows:

	2018	2017
	SR	*SR*
1 January	**9,199,106**	2,111,818
Transfer on acquisition (note 1)	**-**	3,207,114
Charge for the year	**3,311,400**	4,170,641
Payments	**(390,529)**	(290,467)
31 December	**12,119,977**	9,199,106

Status of certificates and assessments:

The Parent Company has submitted its zakat returns up to the year ended 31 December 2017 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2017 is still under review by the GAZT.

Nesaj received final zakat and income tax certificates for the years up to 2017. The assessments for the years from inception to 31 Decemeber 2017 are still under review by GAZT.

BCC has submitted its zakat returns up to the year ended 31 December 2017 and obtained the required certificates and official receipt. The company received final assessment from GAZT untill 2010. Zakat assessment for the years 2011 tol 2017 is still under review by the GAZT.

Tadbier has submitted its zakat returns up to the year ended 31 December 2017 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2017 is still under review by the GAZT.

22 REVENUE FROM CONTRACTS WITH CUSTOMERS

22.1 DISAGGREGATED REVENUE INFORMATION

Segments	2018	2017
	SR	*SR*
Type of goods or service		
Revenue from sale of investment properties	**-**	137,650,000
Revenue from sale of real estate units / projects	**29,014,662**	47,041,151
Construction contracts revenue	**164,365,599**	62,817,485
Facility management revenue	**12,211,739**	6,568,512
Rent revenue	**2,021,662**	1,689,815
Other revenue	**1,396,161**	1,867,474
Total revenue from contracts with customers	**209,009,823**	257,634,437

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22 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

22.1 DISAGGREGATED REVENUE INFORMATION

Type of customer		
Government and quasi-government customers	**60,141,908**	-
Corporate customers	**117,831,591**	71,253,471
Individual customers	**31,036,324**	186,380,966
Total revenue from contracts with customers	**209,009,823**	257,634,437
Credit terms		
Cash sales	**31,036,324**	186,380,966
Credit sales	**177,973,499**	71,253,471
Total revenue from contracts with customers	**209,009,823**	257,634,437

22.2 CONTRACT BALANCES

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Accounts receivable (Note 10)	**34,428,480**	75,192,984	394,912
Contract assets (see note (a) below)	**74,363,325**	400,423	39,095,448
Contract liabilities (see note (b) below)	**4,830,104**	14,527,755	3,177,021

a) Contract assets:
Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

b) Contract liabilities:
Contract liabilities include long-term advances against construction contracts and short-term advances received to provide services as well as transaction price allocated to unsatisfied performance obligations.

22.3 PERFORMANCE OBLIGATIONS

Revenue from sale of investment properties and real estate units:
Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received.

Construction contracts:
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to been titled in exchange for those goods or services.

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23 COST OF REVENUES

	2018 SR	2017 SR
Cost of sale of investment properties (note 7)	-	93,155,024
Cost of sale of real estate units / projects	**26,427,769**	39,913,945
Cost of construction contracts	**136,167,073**	52,982,944
Cost of facility management	**10,638,091**	6,471,511
Cost of rent	**7,500,762**	3,501,041
Others	**2,634,383**	1,776,158
	183,368,078	197,800,623

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 SR	2017 SR
Employees' salaries and related benefits	**11,140,523**	8,600,860
Rent	**1,398,928**	1,132,635
Depreciation and amortization	**593,515**	795,815
Travel	**80,671**	181,222
Professional fees	**342,599**	437,053
Utilities	**512,786**	471,350
Others	**1,900,318**	1,053,551
	15,969,340	12,672,486

25 SELLING AND MARKETING EXPENSES

	2018 SR	2017 SR
Marketing and advertising	**1,713,936**	829,129
Employees' salaries and related benefits	**1,504,234**	1,219,531
Rent	**469,191**	454,843
Depreciation and amortization	**84,322**	191,686
Others	**616,014**	607,421
	4,387,697	3,302,610

26 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION INCLUDED IN THE STATEMENT OF PROFIT OR LOSS

	2018 SR	2017 SR
Included in cost of revenue:		
Employee benefits	**23,163,322**	5,825,942
Depreciation and amortization	**1,051,889**	1,852,772
Included in general and administrative expenses:		
Employee benefits	**11,140,523**	8,600,860
Depreciation and amortization	**593,515**	795,815
Included in selling and marketing expenses:		
Employee benefits	**1,504,234**	1,219,531
Depreciation and amortization	**84,322**	191,686

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27 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-group rates approved by Al Fozan group management.

During the year, the Group transacted with the following related parties:

Name	Relationship
Al Fozan Holding Company and its subsidiaries / associates	Shareholder / affiliate
Abdullatif and Mohammed Al Fozan Company and its subsidiaries	Affiliate
Derayah Financial Corporation Company ("Derayah REIT")	Associate
Al Qyrawan Real Estate Fund	Associate
Al Maali Real Estate Fund	Associate

	2018	2017
	SR	*SR*
Revenue	**58,365,007**	137,650,000
Investment properties transferred from related parties (note 7)	-	6,500,000
Rent	-	3,500,000
Finance costs	**8,397,372**	7,215,724
Purchases from related parties	**20,442,786**	7,247,218
End of service indemnity transferred from / to a related party	**343,801**	62,752

As at 31 December due from related parties includes the following:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Derayah Financial Corporation Company ("Derayah REIT")	-	55,060,000	-
Abdullatif and Mohammed Al Fozan Company	**11,984,758**	11,984,758	-
United Hardware Company (NICE)	**381,337**	-	-
Nesaj Real Estate Residential Compound	**8,870,556**	1,678,079	-
Al Qyrawan Real Estate Fund	**1,576,369**	-	-
Al Maali Real Estate Fund	**1,081,525**	1,312,469	-
Al Maali Holding Company	**1,633,972**	427,849	-
ARAC Engineering Consultants	**1,083,850**	-	-
Midad Chemical Factory	**43,659**	-	-
	26,656,026	70,463,155	-
Less:			
Non-current portion	**(11,984,758)**	(11,984,758)	-
	14,671,268	58,478,397	-

Advances from related parties (note 20) are comprised of the following:

	2018	2017
	SR	*SR*
Nesaj Real Estate Residential Compound	-	2,671,298

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27 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

As at 31 December due to related parties includes the following:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Al Fozan Holding Company	**173,465,770**	197,021,749	126,834,638
Kayan International Real Estate Development Company	-	10,000,000	-
Bina for Ready-mix Products Company	**3,971,031**	476,083	-
Bawan Metal Industries Company	**1,797,056**	477,117	-
Arnon Plastic Company	**137,667**	137,667	-
Al Fozan Askan Company	-	20,915	-
Ajwad Holding Company	**708,286**	-	-
Madar Electrical Materials Company	**724,799**	774,697	565,787
Madar Hardware Company	**89,419**	20,608	-
Madar Building Materials Company	**4,616,200**	692,990	-
	185,510,228	209,621,826	127,400,425
Less: Non-current portion	**(120,000,000)**	(165,851,632)	(60,240,900)
	65,510,228	43,770,194	67,159,525

Compensation of key management personnel

	2018	2017
	SR	*SR*
Total compensation paid to key management	**5,991,829**	2,717,935

28 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into operating leases for certain office building and residential project. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018	2017
	SR	*SR*
Within one year	**5,320,000**	320,000
After one year but not more than five years	**14,518,667**	672,000
	19,838,667	992,000

Commitment for capital expenditure:

The capital expenditure contracted by the Group but not yet incurred till 31 December 2018 was approximately SR. Nil (2017: SR 20 million).

Guarantees:

The Group is contingently liable for bank guarantees issued in the normal course of business to amounting to SR 75 million as at 31 December 2018 (2017: SR 14.8 million).

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

29.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2018						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVOCI	37,107,593	-	37,107,593	37,107,593	-	-	37,107,593
Accounts receivable	-	34,428,480	34,428,480	-	-	-	-
	37,107,593	34,428,480	71,536,073	37,107,593	-	-	37,107,593
Financial liabilities							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	84,887,097	84,887,097	-	-	-	-
Accrued expenses and other payables	-	12,466,347	12,466,347	-	-	-	-
Due to related parties	-	120,000,000	120,000,000	-	-	-	-
	-	367,372,130	367,372,130	-	-	-	-

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29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

29.1 Fair value measurements of financial instruments (Continued)

	31 December 2017						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVOCI	73,259,285	-	73,259,285	-	73,259,285	-	73,259,285
Accounts receivable	-	75,192,984	75,192,984	-	-	-	-
	73,259,285	75,192,984	148,452,269	-	73,259,285	-	73,259,285
Financial liabilities							
Long-term borrowings	-	33,000,000	33,000,000	-	-	-	-
Accounts payable	-	55,578,130	55,578,130	-	-	-	-
Accrued expenses and other payables	-	16,241,474	16,241,474	-	-	-	-
Due to related parties	-	165,851,632	165,851,632	-	-	-	-
	-	270,671,236	270,671,236	-	-	-	-

	1 January 2017						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Accounts receivable	-	394,912	394,912	-	-	-	-
Financial liabilities							
Borrowings	-	23,000,000	23,000,000	-	-	-	-
Accounts payable	-	75,876,768	75,876,768	-	-	-	-
Accrued expenses and other payables	-	7,727,165	7,727,165	-	-	-	-
Due to related parties	-	60,240,900	60,240,900	-	-	-	-
	-	166,844,833	166,844,833	-	-	-	-

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit Risk:
Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its contract assets, trade receivables and bank balances as follows.

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Contract assets	**74,363,325**	400,423	39,095,448
Accounts receivable	**34,428,480**	75,192,984	394,912
Cash and cash equivalents	**85,055,054**	2,424,697	624,372
	193,846,859	78,018,104	40,114,732

The carrying amount of financial assets represents the maximum credit exposure.

The Group seeks to limit its credit risk with respect to contract assets and trade receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

Bank balances are held with banks with sound credit ratings.

Liquidity Risk:
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2018			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
	SR	**SR**	**SR**	**SR**
Financial Liabilities				
Borrowings	**150,018,686**	**150,018,686**	-	-
Accounts payable	**84,887,097**	**82,960,570**	**1,926,527**	-
Accrued expenses and other payables	**12,466,347**	**12,466,347**	-	-
	247,372,130	**245,445,603**	**1,926,527**	-

	31 December 2017			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities				
Borrowings	33,000,000	26,333,333	6,666,667	-
Accounts payable	55,578,130	54,341,483	1,236,647	-
Accrued expenses and other payables	16,241,474	16,241,474	-	-
	104,819,604	96,916,290	7,903,314	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management of Financial Instruments (Continued)

Market Risk:
Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Group's management believes that their exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk
Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at 31 December 2018 amounted to SR Nil (2017: SR 33 million).

Management monitors the changes in interest rates and manages its impact on the financial statements accordingly.

30 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its financial statements:

BASIS OF CONSOLIDATION
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018 as disclosed in note 1.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

BUSINESS COMBINATIONS AND GOODWILL

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss as a bargain purchase gain .

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

FOREIGN CURRENCIES

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture, fixtures and office equipment 4 to 10 years
- Machinery and equipment 4 years
- Motor vehicles 5 years
- Leasehold improvements 4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEVELOPMENT PROPERTIES

Properties that are being constructed or developed for the purpose of selling them in the normal course of the Group's business are classified as development properties until the completion of their construction or development.

Development properties that are expected to be ready for sale within next twelve months are classified as part of the Group's current assets.

Properties that are being constructed or developed on leased land to earn rentals in the normal course of the Group's business are classified as Development properties until the completion of its construction or development, at that time they are transferred as investment property under non-current assets.

Development properties include the costs incurred for the construction and development of such properties

INVESTMENT PROPERTIES

Investment properties are accounted for using the Cost Model consistent with the way property, plant and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 30 years.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2016, the date of inception is deemed to be 1 January 2016 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate venture and its carrying value and recognises the loss as 'Share of profit of an associate in the statement of profit or loss.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN ASSOCIATES (Continued)

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials:

- Purchase cost on a weighted average basis.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, The Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at amortised cost
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes contract assets, trade receivables, and loan to an associate.

Equity investments designated at fair value through OCI
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when The Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

Derecognition
A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) The Group has transferred substantially all the risks and rewards of the asset, or (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

PROVISIONS

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. the expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

EMPLOYEE TERMINATION BENEFITS

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Detailed policies relating to each of the Group's revenue streams is disclosed in note 22.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Cost to obtain a contract

The Group pays for bid fees and technical studies performed by third parties in order to obtain contracts. These costs are capitalised and amortized over the term of the contract on a straight-line basis.

EXPENSES

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Group.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ZAKAT

Zakat

The Group provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the statement of profit or loss.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

31 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is still in the process of assessing the potential effect of IFRS 16 on its financial statements.

31 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

32 COMPARATIVE FIGURES

Certain figures for the year 2017 have been reclassified to conform with the presentation of the current year.

33 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue Board of Directors on 25 Rajab 1440H corresponding to 1 April 2019.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
RETAL URBAN DEVELOPMENT COMPANY

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Retal Urban Development Company (the "Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the*** *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF
RETAL URBAN DEVELOPMENT COMPANY

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly MKM & Co.
Certified Public Accountants
Al-Khobar – Kingdom of Saudi Arabia

Bader Hatim Al Tamimi
License No. 489
5 Ramadhan 1441H
28 April 2020

CPA
BAKER TILLY M K M
&
CO.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	*2019* *SR*	*2018* *SR*
ASSETS			
Current assets			
Cash and cash equivalents	6	**9,637,394**	85,055,054
Equity instruments at FVOCI	7	**-**	37,107,593
Prepayments and other receivables	8	**31,157,780**	27,732,019
Accounts receivable	9	**93,451,129**	19,359,475
Inventories		**4,366,698**	3,455,055
Contract assets	24	**150,459,348**	74,816,781
Development properties	10	**30,888,446**	50,740,441
		319,960,795	298,266,418
Non-current assets			
Property and equipment	11	**4,912,187**	3,746,562
Right of use assets	12	**20,464,296**	-
Development properties	10	**2,208,323**	76,962,489
Investment properties	13	**210,437,819**	39,083,172
Intangible assets	14	**3,726,787**	3,813,830
Investment in associates	15	**112,820,279**	83,843,443
Accounts receivable	9	**1,226,846**	14,615,549
		355,796,537	222,065,045
TOTAL ASSETS		**675,757,332**	520,331,463
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	16	**135,001,643**	82,960,570
Accrued expenses and other payables	17	**7,528,040**	11,605,670
Lease liabilities	12	**7,508,926**	-
Contract liabilities	24	**1,606,183**	4,830,104
Refundable incentives	18	**150,018,686**	150,018,686
Zakat payable	19	**5,894,975**	12,119,977
		307,558,453	261,535,007
Non-current liabilities			
Lease liabilities	12	**10,271,061**	-
Employee termination benefits	20	**7,794,053**	6,660,288
Accounts payable	16	**3,966,687**	121,926,527
		22,031,801	128,586,815
Total liabilities		**329,590,254**	390,121,822
Equity			
Capital	21	**250,000,000**	10,000,000
Statutory reserve	22	**8,969,214**	3,000,000
Contribution from a shareholder	23	**-**	82,133,810
Actuarial reserve	20	**(1,494,163)**	(924,497)
Fair value reserve of equity instruments at FVOCI	15	**-**	(2,774,332)
Retained earnings		**88,692,027**	38,774,660
Total equity		**346,167,078**	130,209,641
TOTAL LIABILITIES AND EQUITY		**675,757,332**	520,331,463

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	***2019***	*2018*
		SR	*SR*
Revenue from contracts with customers	24	**456,535,749**	209,009,823
Cost of revenue	25	**(379,133,918)**	(178,368,078)
Gross profit		**77,401,831**	30,641,745
General and administrative expenses	26	**(23,215,456)**	(20,969,340)
Selling and marketing expenses	27	**(6,316,848)**	(4,387,697)
Operating profit		**47,869,527**	5,284,708
Finance costs	16, 20, 30	**(4,960,584)**	(7,088,179)
Dividend income	15	**1,121,885**	4,665,727
Share of results of associates	15	**(3,063,604)**	(990,223)
Gain on sale of investments at fair value through profit or loss	28	**22,461,794**	-
Other income		**893,578**	4,178,087
Profit before zakat		**64,322,596**	6,050,120
Zakat	19	**(4,630,457)**	(3,311,400)
PROFIT FOR THE YEAR		**59,692,139**	2,738,720
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Change in fair value of equity instruments at FVOCI	7	**-**	(2,774,332)
Change in realized fair value of equity instruments at FVOCI	7	**(1,031,226)**	(1,717,177)
Remeasurements of defined benefit liability	20	**(569,666)**	(1,020,198)
Net OCI that will not be reclassified to profit or loss in subsequent years		**(1,600,892)**	(5,511,707)
Other comprehensive loss for the year		**(1,600,892)**	(5,511,707)
Total comprehensive income (loss) for the year		**58,091,247**	(2,772,987)

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Capital	*Statutory reserve*	*Contribution from a shareholder*	*Actuarial reserve*	*Fair value reserve of equity instruments at FVOCI*	*Retained earnings*	*Total*
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
For the year ended 31 December 2019:							
As at 1 January 2019	**10,000,000**	**3,000,000**	**82,133,810**	**(924,497)**	**(2,774,332)**	**38,774,660**	**130,209,641**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**59,692,139**	**59,692,139**
Other comprehensive loss	**-**	**-**	**-**	**(569,666)**	**(1,031,226)**	**-**	**(1,600,892)**
Total comprehensive income	**-**	**-**	**-**	**(569,666)**	**(1,031,226)**	**59,692,139**	**58,091,247**
Transfer to statutory reserve	**-**	**5,969,214**	**-**	**-**	**-**	**(5,969,214)**	**-**
Increase in share capital (note 21)	**240,000,000**	**-**	**(82,133,810)**	**-**	**-**	**-**	**157,866,190**
Utilization of reserve on sale of equity instruments at FVOCI (note 7)	**-**	**-**	**-**	**-**	**3,805,558**	**(3,805,558)**	**-**
Balance as at 31 December 2019	**250,000,000**	**8,969,214**	**-**	**(1,494,163)**	**-**	**88,692,027**	**346,167,078**
For the year ended 31 December 2018:							
As at 1 January 2018	10,000,000	3,000,000	82,133,810	95,701	-	37,753,117	132,982,628
Net profit for the year	-	-	-	-	-	2,738,720	2,738,720
Other comprehensive loss	-	-	-	(1,020,198)	(4,491,509)	-	(5,511,707)
Total comprehensive loss	-	-	-	(1,020,198)	(4,491,509)	2,738,720	(2,772,987)
Utilization of reserve on sale of equity instruments at FVOCI (note 7)	-	-	-	-	1,717,177	(1,717,177)	-
Balance as at 31 December 2018	10,000,000	3,000,000	82,133,810	(924,497)	(2,774,332)	38,774,660	130,209,641

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	SR	*SR*
OPERATING ACTIVITIES		
Profit before zakat	**64,322,596**	6,050,120
Adjustments for non-cash items:		
Depreciation and amortization	**9,428,100**	1,729,726
Employee termination benefits	**1,654,619**	1,229,328
Loss on sale of property and equipment	**-**	4,992
Share of results of associates	**3,063,604**	990,223
Dividends income	**(1,121,885)**	(4,665,727)
	77,347,034	5,338,662
Changes in working capital:		
Development properties	**56,547,459**	(7,342,810)
Inventories	**(911,643)**	(314,741)
Contract assets	**(75,642,567)**	(73,962,902)
Accounts receivable	**(60,702,951)**	41,595,562
Prepayments and other receivables	**(6,175,761)**	(17,374,576)
Accounts payable	**(65,918,767)**	29,308,967
Accrued expenses and other payables	**(4,077,630)**	(3,775,127)
Contract liabilities	**(3,223,921)**	(9,697,651)
Net cash generated from (used in) operations	**(82,758,747)**	(36,224,616)
Employee termination benefits paid	**(1,090,520)**	(1,392,086)
Zakat paid	**-**	(390,529)
Net cash from (used in) operating activities	**(83,849,267)**	(38,007,231)
INVESTING ACTIVITIES		
Additions to investment properties	**(55,250,625)**	-
Proceeds from sale of investment properties	**691,013**	-
Purchase of property and equipment	**(2,711,028)**	(1,021,505)
Proceeds from sale of property and equipment	**200,645**	138,950
Additions to intangible assets	**(59,800)**	(66,225)
Dividends received	**1,121,885**	3,834,669
Disposal / Redemption of investment in an associate	**40,317,050**	14,580,661
Proceeds from sale of equity instruments at FVOCI	**36,076,367**	31,660,183
Net cash from investing activities	**20,385,507**	49,126,733
FINANCING ACTIVITIES		
Proceeds from refundable incentives	**-**	150,018,686
Repayments of long-term borrowings	**-**	(33,000,000)
Lease payments	**(7,310,886)**	-
Change in due to related parties	**(4,643,014)**	(45,507,831)
Net cash (used in) from financing activities	**(11,953,900)**	71,510,855
Net change in cash and cash equivalents	**(75,417,660)**	82,630,357
Cash and cash equivalents at the beginning of the year	**85,055,054**	2,424,697
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9,637,394**	85,055,054

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	SR	*SR*
NON-CASH TRANSACTIONS:		
Employee termination benefits transferred to a related party (note 20)	**-**	343,801
Additional capital transferred from Al Fozan Holding (Shareholder) (note 30)	**157,866,190**	-
Investment properties transferred from related parties (note 13)	**79,296,255**	-
Investment properties transferred of from development properties (note 13)	**45,463,878**	4,241,561
Change in fair value of equity instruments at FVOCI recognised on retained earnings (note 7)	**3,805,558**	1,717,177
Finance costs charged by a related party (note 30)	**4,167,049**	8,397,372
Investment in associates transferred from related party (note 15)	**72,357,490**	-
Recognition of right of use assets (note 12)	**27,840,873**	-
Recognition of lease liabilities (note 12)	**25,090,873**	-
Zakat provision transferred to Al Fozan Holding Company (Share holder) (note 19)	**10,855,459**	390,529

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 COMPANY INFORMATION

Retal Urban Development Company ("the Company") is a limited liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012). The registered address of the Company is P.O. Box 1448 Prince Faisal Bin Fahad Bin Abdulazizi Avenue, Al Khobar, 31952, Kingdom of Saudi Arabia.

The Company is principally engaged in:
- Purchase of land for construction, development, investment, sale or leasing purpose;
- Construction of buildings, dams, and tunnels;
- Management and operating of factories, industrial projects, malls, hotels, restaurants and supermarkets;
- Maintenance and repair of irrigation and drainage works, including airports, water facilities, sanitation, telephone networks and artesian wells.

The Company's Articles of Association includes the activity of acquisition of shares or shares in existing companies or merger with them.

As at 31 December 2018, the Parent Company had following branch:

Commercial registration number	Date	Place of issue	Location
2051065120	19 November 2017	Al Khobar	Al Khobar

The results, assets and liabilities of this branch are included in the accompanying financial statements, during the year 2019, the parent company canceled the commercial registration of this branch.

The shareholder is Al Fozan Holding Company.

The Ultimate Parent Company is Abdullatif and Mohammed Al Fozan Company.

These consolidated financial statements comprises the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Effective ownership	
	2019	2018
	%	%
Tadbeir Real Estate Company ("Tadbeir")	**100**	100
Nesaj Urban Development Company ("Nesaj")	**100**	100
Building and Construction Company ("BCC")	**100**	100

Tadbeir

Tadbeir is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (4 November 2014). The registered address of the Company is P.O. Box 38, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

Tadbier is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

1 COMPANY INFORMATION (Continued)

Nesaj

Nesaj is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (5 August 2012). The registered address of the Company is P.O.Box 31059, Al Turki business park, Al-Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of the Nesaj are:
- Buying lands and constructing buildings on them for sale or rental to third parties;
- Management, maintenance and development of real estate;
- Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
- General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of the Company is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants. Details of the Group's significant accounting policies are disclosed in note 4.

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and defined benefit obligations measured at fair value. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the acGrouping disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management — Note 32
- Sensitivity analysis disclosures — Note 20

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recogized in the consolidated financial statements:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Judgements (Continued)

Control over subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Significant influence over an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertain zakat position

The Group's current zakat payable of SR 5,894,975 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 19 describes the status of zakat and tax assessments.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for development and investment properties at each reporting date. The development investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions (Continued)

Estimated cost to complete

The Group uses the percentage-of-completion method (“POC”) in accounting for its long-term construction contracts. Use of POC requires the Group to estimate the total cost to complete a contract. If the total estimated costs were 10% higher than management’s estimates, the amount of revenue recognised during the year ended 31 December 2019 would have decreased by SR 27,078,386. If the total estimated costs were 10% lesser than management’s estimates, the amount of revenue recognised during the year ended 31 December 2019 would have increased by SR 33,062,969 as well.

Impairment of trade receivables

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for lease receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.The information about the ECLs on the trade receivables is disclosed in note 9.

Long-term assumptions for employees' benefits

Employees’ defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Options for extending and terminating lease contracts

Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Group and the Lessee.

When determining the tenancy contract duration, the Group’s management takes into account all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee.

Lease Payments Discount

Rental payments are discounted using the Group's incremental borrowing rate (IBR). The Group’s management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

4 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its financial statements:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019 as disclosed in note 1.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquire. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss as a bargain purchase gain .

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss as incurred.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and office equipment	4 to 10 years
Machinery and equipment	4 years
Vehicles	5 years
Leasehold improvements	4 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Development properties

Properties that are being constructed or developed for the purpose of selling them in the normal course of the Group's business are classified as Development properties until the completion of their construction or development.

Development properties that are expected to be ready for sale within next twelve months are classified as part of the Group's current assets.

Properties that are being constructed or developed on leased land to earn rentals in the normal course of the Group's business are classified as Development properties until the completion of its construction or development, at that time they are transferred as investment property under non-current assets.

Development properties include the costs incurred for the construction and development of such properties.

Investment properties

Investment properties are accounted for using the Cost Model consistent with the way property and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 30 years.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and expenditure is recognised in the statement of profit or loss when it is incurred.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the consolidated statement of profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue once they are earned.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after zakat in the subsidiaries and associates.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of profit of an associate in the statement of profit or loss.

Upon loss of significant influence, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

Inventories

The cost of raw materials and spare parts are those expenditure incurred in bringing each item to its present location and condition. Inventories are priced by applying the weighted average method.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes contract assets and trade receivables.

Equity instruments designated at fair value through OCI

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Derecognition
A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

A provision for the expected credit loss should be recognized over the life of the financial instrument if the credit risk on that financial instrument increases substantially since the initial recognition and the expected credit loss is an expected weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the expectation of several future economic scenarios, discounted at the effective interest rate of the asset. The Group assesses whether there is objective evidence of impairment on an individual basis for each asset of individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

Employee termination benefits

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Expenses

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Group.

Zakat

The Group provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the consolidated statement of profit or loss.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5 CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standard effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases, the nature and effect of these changes are disclosed below.

5.1 IFRS 16 *'Leases'*

IFRS 16 supersede IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17 except for classification of subleases which are now classified as finance leases.

The Group has adopted the simplified and permitted method under IFRS (16) at the first time adoption date 1 January 2019. under that method, the company adopting the standard retrospectively recording the accumulated impact at the first-time adoption date.

As a result of using the simplified approach, comparative figures are not restated.

5.2 Effect of adoption of IFRS 16

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	As at 31 December 2018	Effect of adoption	**As at 1 January 2019**
	SR	SR	**SR**
Prepayments	2,750,000	(2,750,000)	-
Right-of-use assets	-	27,840,873	27,840,873
	2,750,000	**25,090,873**	**27,840,873**
Lease liabilities	-	25,090,873	25,090,873
	-	**25,090,873**	**25,090,873**

The Group has lease contracts for ware houses and office buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as a lessee) at the inception date as either a finance lease or an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and accrued expenses, respectively.

Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The incremental borrowing rate used to discount lease payments on the date of initial application of 1 January 2019 was 4.5%.

5 CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group has also utilized the following practical expedients:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at 1 January 2019
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- By class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component
- Measure right of use assets at the date of initial application at the present value of remaining lease payments

The new accounting policies in accordance with IFRS 16 are disclosed under note 4.

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6 CASH AND CASH EQUIVALENTS

	2019	2018
	SR	*SR*
Cash on hand	**108,321**	192,000
Cash at banks	**9,529,073**	84,863,054
	9,637,394	85,055,054

As at 31 December 2019, cash at banks include bank balance of SR 5,524,964 (2018: SR 76,328,181) in a local bank in a restricted escrow accounts (note 18).

7 EQUITY INSTRUMENTS AT FVOCI

The movement in equity instruments at FVOCI is as follows:

	2019	2018
	SR	*SR*
At 1 January	**37,107,593**	73,259,285
Remeasurement recognised in OCI	**(1,031,226)**	(4,491,509)
Disposal of units	**(36,076,367)**	(31,660,183)
Fair value as at 31 December	**-**	37,107,593

During the year 2017, the Group signed agreements ("the Agreements") with Derayah Financial Corporation Company ("the Manager") which acts as the fund manager of Derayah REIT, a Real Estate Investment Traded Fund ("the REIT") that operates in accordance with Real Estate Investment Funds Regulations and REIT Funds Instructions issued by the Capital Market Authority (CMA). According to the Agreement, the Group contributed various projects in exchange of monetary and in-kind consideration amounted to SR 137,650,000. During the year 2017, the Group received the in-kind portion of the consideration which represents 8,259,000 units in the fund (7.7% unitholding of the total units of the Fund). During the year the Group has sold all its investment in Derayah Shares.

8 PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	SR	*SR*
Advances to suppliers	**7,589,858**	10,522,049
Prepaid expenses (note 5)	**6,198,380**	8,868,732
Employee receivables	**3,396,402**	984,397
Value added tax	**11,476,227**	2,173,956
Others	**2,496,913**	5,182,885
	31,157,780	27,732,019

9 ACCOUNTS RECEIVABLE

	2019	2018
	SR	*SR*
Accounts receivable - third parties	**83,745,711**	7,318,998
Accounts receivable - related parties (note 30)	**10,932,264**	26,656,026
	94,677,975	33,975,024

Accounts receivables are classified into current and non-current receivables as follows:

	2019	2018
	SR	*SR*
Current receivables	**93,451,129**	19,359,475
Non-current receivables	**1,226,846**	14,615,549
	94,677,975	33,975,024

As of the date of these consolidated financial statements, the Group's accounts receivable - third parties are concentrated in 5 major counter parties in an amount of SR 55,316,987 relating to Nesaj town project, which is equivalent to 65% of the total accounts receivable (31 December 2018: SR Nil).

The non-current portion of accounts receivable represents balances that management estimates to be collected after one year from the date of the consolidated statement of financial position.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good. Moreover, all the related parties balances are guaranteed by the owner Company Al Fozan Holding Company.

An aged analysis of trade receivables as at 31 December is as follows:

	Neither past due nor impaired	**Past due but not impaired**				**Total**
		< 180 days	**181-365 days**	**366-730 days**	**> 730 days**	
		SR	***SR***	***SR***	***SR***	***SR***
2019	**32,104,131**	**46,722,803**	**4,918,777**	**-**	**-**	**83,745,711**
2018	6,833,349	248,789	208,933	21,227	6,700	7,318,998

The Group measures the allowance for trade receivables at an amount equivalent to the expected lifetime credit loss. The expected credit losses from trade receivables are estimated using a matrix based on the experience of defaulting on the previous debtor's repayment and an analysis of the debtor's current financial position, adjusted for debtors 'factors and the general economic conditions of the sector in which they work and assessing both the current trend and expectations for conditions in the history of the consolidated financial statements. No expected credit loss has been recorded as there has not been a significant change in credit quality.

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10 DEVELOPMENT PROPERTIES

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
Long term:			
At 1 January 2018	50,076,007	29,722,385	79,798,392
Additions	-	12,849,174	12,849,174
Transferred to investment properties (note 13)	(535,137)	(844,863)	(1,380,000)
Cost of units / projects sold	(3,745,959)	(10,559,118)	(14,305,077)
At 31 December 2018	45,794,911	31,167,578	76,962,489
Additions	**-**	**8,510,798**	**8,510,798**
Transferred to investment properties (note 13)	**(30,275,938)**	**(9,207,032)**	**(39,482,970)**
Transferred to short term properties	**(15,518,973)**	**(28,263,021)**	**(43,781,994)**
At 31 December 2019	**-**	**2,208,323**	**2,208,323**

Long term projects mainly represent development cost incurred by the Group for Nakheel towers and other projects.

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
Short term:			
At 1 January 2018	13,421,687	31,381,602	44,803,289
Additions	-	25,878,181	25,878,181
Transferred to investment properties (note 13)	(995,263)	(1,866,298)	(2,861,561)
Cost of units / projects sold	(3,285,456)	(13,794,012)	(17,079,468)
At 31 December 2018	9,140,968	41,599,473	50,740,441
Additions	**23,865,688**	**49,535,228**	**73,400,916**
Transferred from investment properties (note 13)	**7,405,176**	**-**	**7,405,176**
Transferred from long term properties	**15,518,973**	**28,263,021**	**43,781,994**
Transferred to investment properties (note 13)	**(2,065,536)**	**(3,915,372)**	**(5,980,908)**
Cost of units / projects sold	**(45,730,825)**	**(87,483,507)**	**(133,214,332)**
Cost of contracts	**-**	**(5,244,841)**	**(5,244,841)**
At 31 December 2019	**8,134,444**	**22,754,002**	**30,888,446**

Short term projects represent mainly the cost of land and developments incurred by the Group toward the construction of Retal Square residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months.

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11 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	*Machinery and equipment*	*Vehicles*	*Leasehold improvements*	*Capital work in progress*	*Total*
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Cost						
At 1 January 2018	5,930,766	15,698,863	2,411,817	2,800,768	416,950	27,259,164
Additions	345,560	337,445	338,500	-	-	1,021,505
Disposals	-	-	(180,000)	-	-	(180,000)
Tranfer to intangible assets (note 14)	-	-	-	-	(416,950)	(416,950)
At 31 December 2018	6,276,326	16,036,308	2,570,317	2,800,768	-	27,683,719
Additions	**1,005,076**	**845,885**	**860,067**	**-**	**-**	**2,711,028**
Disposals	**-**	**(616,747)**	**(344,992)**	**(408,865)**	**-**	**(1,370,604)**
At 31 December 2019	**7,281,402**	**16,265,446**	**3,085,392**	**2,391,903**	**-**	**29,024,143**
Accumulated depreciation:						
At 1 January 2018	4,199,811	14,418,021	1,423,226	2,634,564	-	22,675,622
Charge for the year	631,278	390,721	191,165	84,429	-	1,297,593
Disposal	-	-	(36,058)	-	-	(36,058)
At 31 December 2018	4,831,089	14,808,742	1,578,333	2,718,993	-	23,937,157
Charge for the year	**652,207**	**402,986**	**221,459**	**68,106**	**-**	**1,344,758**
Disposals	**-**	**(582,015)**	**(192,748)**	**(395,196)**	**-**	**(1,169,959)**
At 31 December 2019	**5,483,296**	**14,629,713**	**1,607,044**	**2,391,903**	**-**	**24,111,956**
Net book values						
At 31 December 2019	**1,798,106**	**1,635,733**	**1,478,348**	**-**	**-**	**4,912,187**
At 31 December 2018	1,445,237	1,227,566	991,984	81,775	-	3,746,562

12 RIGHT OF USE ASSETS

Right of use assets depreciation charge and balances are as follows:

	Building
	SR
Cost:	
At 1 January 2019 (note 5)	27,840,873
At 31 December 2019	**27,840,873**
Accumulated depreciation:	
At 1 January 2019	-
Charge for the year	**7,376,577**
At 31 December 2019	**7,376,577**
Net book value as at 31 December 2019	**20,464,296**

During the year the Group has applied IFRS 16 to recognise the right of use assets for its ware-houses and office buildings and depreciated at the term of lease period.

Lease liabilities as at year end are as follows:

	31 December 2019
	SR
Lease liabilities	
At 1 January 2019 (note 5)	25,090,873
Payments during the year	**(7,310,886)**
At 31 December 2019	**17,779,987**
Current portion of lease liabilities	**7,508,926**
Non current portion of lease liabilities	**10,271,061**
Total lease liabilities	**17,779,987**

The total interest expense on lease liabilities recognized during the year ended 31 December 2019 is SR 694,167 (31 December 2018: SR nil).

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13 INVESTMENT PROPERTIES

	Land	*Building*	*Capital Work in progress*	*Total*
	SR	*SR*	*SR*	*SR*
Cost:				
At 1 January 2018	29,276,191	5,939,991	-	35,216,182
Transferred from development properties (note 10)	1,530,400	2,711,161	-	4,241,561
At 31 December 2018	30,806,591	8,651,152	-	39,457,743
Additions	**32,565,500**	**22,685,125**	**-**	**55,250,625**
Transferred from related parties properties (note 30)	**79,296,255**	**-**	**-**	**79,296,255**
Transferred from development properties (note 10)	**32,341,474**	**5,529,122**	**7,593,282**	**45,463,878**
Transferred to development properties (note 10)	**(7,405,176)**	**-**	**-**	**(7,405,176)**
Disposals	**(248,815)**	**(460,465)**	**-**	**(709,280)**
At 31 December 2019	**167,355,829**	**36,404,934**	**7,593,282**	**211,354,045**
Accumulated depreciation:				
At 1 January 2018	-	90,800	-	90,800
Charge for the year	-	283,771	-	283,771
At 31 December 2018	-	374,571	-	374,571
Charge for the year	**-**	**559,922**	**-**	**559,922**
Disposal	**-**	**(18,267)**	**-**	**(18,267)**
At 31 December 2019	**-**	**916,226**	**-**	**916,226**
Net book value:				
At 31 December 2019	**167,355,829**	**35,488,708**	**7,593,282**	**210,437,819**
At 31 December 2018	30,806,591	8,276,581	-	39,083,172

During the year Parent Company received different lands at their book values from related parties for future appreciation, and/or development (note 30). A waiver letter was obtained from the related party for transferring the right in these lands to the Company.

During the year Parent Company received land shares from share holder for purchase of land for future development, located in Al Khobar, Kingdom of Saudi Arabia amounting to SR 36,971,000 as of December 31, 2019 (2018: SR nil) (note 30).The company is in process to transfer the land deeds against these shares, however waiver letter was obtained from the share holder for transferring the right in these land shares to the Parent Company.

Capital work in progress represents construction of Retal tower (note 31).

As at 31 December 2019, investment properties represent apartments held for the purpose of generating rental income. Investment properties include investment in land held for future appreciation, and/or development with value of SR 38.4 million (2018: SR 29.4 million).

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001"). As at 31 December 2019, the valuation of the above investment properties amounted to SR 209,335,028 (2018: SR 53,908,405).

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14 INTANGIBLE ASSETS

	Goodwill	*Software and ERP systems*	*Total*
	SR	*SR*	*SR*
Cost:			
At 1 January 2018	3,088,189	809,130	3,897,319
Additions	-	66,225	66,225
Transfer from capital work in progress (note 11)	-	416,950	416,950
At 31 December 2018	3,088,189	1,292,305	4,380,494
Additions	**-**	**59,800**	**59,800**
At 31 December 2019	**3,088,189**	**1,352,105**	**4,440,294**
Accumulated amortization:			
At 1 January 2018	-	418,302	418,302
Charge for the year	-	148,362	148,362
At 31 December 2018	-	566,664	566,664
Charge for the year	**-**	**146,843**	**146,843**
At 31 December 2019	**-**	**713,507**	**713,507**
Net book values:			
At 31 December 2019	**3,088,189**	**638,598**	**3,726,787**
At 31 December 2018	3,088,189	725,641	3,813,830
Useful life		**3 - 4 years**	

The Group performed its annual goodwill impairment test for its subsidiaries at 31 December 2019 and 2018. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation of the subsidiaries were above the book value of its equity, indicating no impairment of goodwill.

15 INVESTMENT IN ASSOCIATES

The Group's investment in associates comprise the following:

	Note	**2019**	2018
		SR	*SR*
Ewan Al Maali Real Estate Fund	A	**40,462,789**	39,885,854
Ewan Al-Qayrawan Real Estate Fund	B	**-**	43,957,589
Nesaj Residential Compound Real Estate Company	C	**72,357,490**	-
Total investment in associates		**112,820,279**	83,843,443

	Ownership 2019	2018
	%	*%*
Ewan Al Maali Real Estate Fund	**54.17**	54.17
Ewan Al-Qayrawan Real Estate Fund	**-**	57.03
Nesaj Residential Compound Real Estate Company	**45.00**	-

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15 INVESTMENT IN ASSOCIATES (Continued)

The movement of investment in associates during the years ended 31 December is as follows:

	2019	2018
	SR	*SR*
At 1 January	**83,843,443**	99,414,327
Transfer from Shareholder (note 30)	**72,357,490**	-
Disposals / units redemption	**(40,317,050)**	(14,580,661)
Share of results, net	**(3,063,604)**	(990,223)
At 31 December	**112,820,279**	83,843,443

A. Ewan Al Maali Real Estate Fund
As at 31 December 2019 and 2018, the Group's investment in Ewan Al Maali represents the Group's 54.17% investment share in Ewan Al-Maali Real Estate Fund. The Group owns 412,900 units out of 762,500 units at par value of SR 100 for each.

The following table summarizes the financial information of Ewan Al Maali as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Ewan Al Maali.

	2019	*2018*
	SR	*SR*
Total assets	**76,935,508**	146,463,990
Total liabilities	**(2,233,565)**	(72,827,092)
Equity	**74,701,943**	73,636,898
Group's share in equity	**40,462,789**	39,885,854

Summarised statement of profit or loss and other comprehensive income of Ewan Al Maali for the year ended 31 December:

	2019	*2018*
	SR	*SR*
Revenue	**71,443,748**	18,061,150
Profit (loss) for the year	**1,065,045**	(639,479)
Total comprehensive income (loss)	**1,065,045**	(639,479)
Group's share of total comprehensive income (loss)	**576,935**	(346,361)

The movement in the interest in Ewan Al Maali is as follows:

	2019	*2018*
	SR	*SR*
At 1 January	**39,885,854**	40,232,215
Share of profit (loss)	**576,935**	(346,361)
At 31 December	**40,462,789**	39,885,854

15 INVESTMENT IN ASSOCIATES (Continued)

B. Ewan Al-Qayrawan Real Estate Fund

In 2015, the Group sold a land with a book value of SR 91.7 million to Ewan Al-Qayrawan real estate fund managed by SWICORP for SR 96.5 million. The Group received SR 32.6 million in cash and SR 63.9 million in the form of 57.03% investment share in 6.4 million units out of total fund units of 11.2 million that have a par value of SR 10 for each.

During the year the Group sold its entire investment in Ewan Al-Qatrwan fund against the purchase of 44 villas of Ewan Al-Qayrwan project 2.

The following table summarizes the financial information of Ewan Al-Qayrawan as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Ewan Al-Qayrawan.

	2019	*2018*
	SR	*SR*
Total assets	-	77,851,130
Total liabilities	-	(778,216)
Equity	-	77,072,914
Group's share in equity		43,957,589

Summarised statement of profit or loss and other comprehensive income of Ewan Al-Qayrawan for the year ended 31 December:

	2019	*2018*
	SR	*SR*
Revenue	-	6,060,250
Loss for the year	-	(684,553)
Total comprehensive loss	-	(684,553)
Group's share of total comprehensive loss	-	(390,440)

The movement in the interest in Ewan Al-Qayrawan is as follows:

	2019	*2018*
	SR	*SR*
At 1 January	**43,957,589**	46,903,229
Share of loss	**(3,640,539)**	(390,440)
Disposals	**(40,317,050)**	(2,555,200)
At 31 December	-	43,957,589

15 INVESTMENT IN ASSOCIATES (Continued)

C. Nesaj Residential Compound Real Estate Company

Nesaj Residential Compound Real Estate Company is a Saudi limited liability company registered on 21 Jumada II 1435H (21 April 2014) in Al-Khobar, Kingdom of Saudi Arabia, under commercial registration number 2051057194. The authorized, issued and paid up share capital of the Company is SR 165 million divided into 1,650,000 shares of SR 100 each as at December 31, 2019 and 2018.

As at 31 December 2019, the Group's investment in Nesaj Residential Compound represents the Group's 45% investment share in Nesaj Residential Compound. The Group owns 745,000 shares out of 1,650,000 shares at par value of SR 100 for each.

This investment has been transferred from Al Fozan Holding Company ('Shareholder') for which all the legal requirement was completed in this year (note 30). However, the shareholder decided the effective date of transfer as 31 December 2019.

The following table summarizes the financial information of Nesaj Residential Compound as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Nesaj Residential Compound.

	2019	*2018*
	SR	*SR*
Total assets	**688,692,790**	-
Total liabilities	**(527,898,367)**	-
Equity	**160,794,423**	-
Group's share in equity	**72,357,490**	-

Summarised statement of profit or loss and other comprehensive income of Nesaj Residential Compound for the year ended 31 December:

	2019	*2018*
	SR	*SR*
Revenue	**14,855,830**	-
Loss for the year	**(36,994,634)**	-
Total comprehensive loss	**(37,030,570)**	-

The movement in the interest in Nesaj Residential Compound is as follows:

	2019	*2018*
	SR	*SR*
Transferred from a shareholder (note 30)	**72,357,490**	-
At 31 December	**72,357,490**	-

16 ACCOUNTS PAYABLE

	2019	2018
	SR	*SR*
Accounts payable	**32,070,076**	14,395,913
Retention payable	**8,141,593**	4,980,956
Accounts payable to related parties (note 30)	**98,756,661**	185,510,228
	138,968,330	204,887,097

Accounts payable are classified into current and non-current payable as follows:

	2019	2018
	SR	*SR*
Current payables	**135,001,643**	82,960,570
Non-current payables	**3,966,687**	121,926,527
	138,968,330	204,887,097

As at 31 December 2019 and 2018 the non-current portion of accounts payable include long term retention balances that management estimates it will pay after one year from the date of the consolidated statement of financial position.

As at 31 December 2018, the non-current portion of accounts payable include payable to related parties amount to SR 120,000,000 (note 30).

17 ACCRUED EXPENSES AND OTHER PAYABLES

	2019	2018
	SR	*SR*
Advances from customers	**2,577,928**	7,174,934
Advance from a related party (note 30)	**-**	22,933
Unearned revenue	**95,399**	1,194,383
Provision for contingencies	**52,821**	83,819
Employees' accruals	**1,661,511**	1,044,537
Others	**3,140,381**	2,085,064
	7,528,040	11,605,670

18 REFUNDABLE INCENTIVES

During the year 2018, the Group signed an agreement for the development, marketing and construction of Nesaj Town Project (the “Project”) with Ministry of Housing (MOH) to build 674 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH’s homeownership program. Refundable MOH Incentive represents funds received from MOH to support the Group in financing the project. The incentive amount was deposited in an escrow bank account where withdrawals were restricted to project related expenditure. However, during the year the Group has utilized all the balance in escrow account for project related expenses (note 6). Upon completing the construction work, which is expected by the end of year 2020, MOH will withdraw the incentive balance from the sale proceeds deposited in the escrow bank account. Further, the MOH is committed to buy the remaining unsold residential units by the time of completing the construction. Settlement related to this commitment will be through offsetting the refundable incentive balance.

19 ZAKAT PAYABLE

Basis for Zakat:
The Group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets. Zakat is calculated at the Group's zakat base. However, starting from 2016 zakat return is filed with GAZT at Al Fozan Holding Company level (the shareholder) as a consolidated filing.

The movement in the zakat payable is as follows:

	2019	2018
	SR	*SR*
1 January	**12,119,977**	9,199,106
Charge for the year	**4,630,457**	3,311,400
Transferred to Al Fozan Holding Company (note 30)	**(10,855,459)**	(390,529)
31 December	**5,894,975**	12,119,977

Status of certificates and assessments:
Retal Urban Development Company has submitted its zakat returns up to the year ended 31 December 2018 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2018 is still under review by the GAZT.

Nesaj received final zakat and income tax certificates for the years up to 2018. The assessments for the years from inception to 31 December 2018 are still under review by GAZT.

BCC has submitted its zakat returns up to the year ended 31 December 2018 and obtained the required certificates and official receipt. The company received final assessment from GAZT until 2010. Zakat assessment for the years 2011 to 2018 is still under review by the GAZT.

Tadbier has submitted its zakat returns up to the year ended 31 December 2018 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2018 is still under review by the GAZT.

20 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2019	2018
	SR	*SR*
1 January	**6,660,288**	5,459,047
Expense charged to profit or loss	**1,654,619**	1,229,328
Actuarial remeasurement charged to OCI	**569,666**	1,020,198
Payments	**(1,090,520)**	(1,392,086)
Net transferred to a related party (note 30)	**-**	343,801
31 December	**7,794,053**	6,660,288

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20 EMPLOYEE TERMINATION BENEFITS (Continued)

The expense charged to profit or loss comprise of:

	2019	2018
	SR	*SR*
Current service cost	**282,030**	183,306
Interest cost	**52,585**	21,177
Cost recognized in profit or loss	**334,615**	204,483

Significant actuarial assumptions	**As at 31 December**	
	2019	2018
Discount factor used	**2.85%**	4.15%
Salary increase rate	**2.85%**	4.15%
Mortality Rate	**SA 16 - 75%**	SA 16 - 75%
Rates of employee turnover	**Heavy**	Heavy

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2019		31 December 2018	
	%	**SR**	%	SR
Discount rate				
Increase	**+ 0.5%**	**7,504,351**	+ 0.5%	6,425,897
Decrease	**- 0.5%**	**8,104,487**	- 0.5%	6,910,817
Salary growth rate				
Increase	**+ 0.5%**	**8,047,738**	+ 0.5%	6,839,255
Decrease	**- 0.5%**	**7,554,459**	- 0.5%	6,490,574

21 CAPITAL

During the year, the shareholders of the Company resolved to increase the share capital of the Company by SR 240 million by transferring all the contribution from shareholders amounting to SR 82,133,810 (note 23) to share capital and transferring SR 157,866,190 as additional capital from Al Fozan Holding Company ('Shareholder') (note 30). The legal formalities related to the increase in share capital have been completed during the year. The new share capital of the Company became SR 250 million divided into 250,000 shares of SR 1,000 per share.

The shareholders of the Parent Company and their respective shareholding as of December 31, 2019 and 2018 are as follows

	Share Capital		**Ownership %**	
Name	**2019**	2018	**2019**	2018
	SR	SR		
Al Fozan Holding Company	**247,500,000**	9,900,000	**99%**	99%
Al Fozan Investment Company	**2,500,000**	100,000	**1%**	1%
	250,000,000	10,000,000	**100%**	100%

22 STATUTORY RESERVE

In accordance with Regulations for Companies and the Company's Articles of Association, the Company is establishing a statutory reserve by appropriation of 10% of net income until the reserve reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

23 CONTRIBUTION FROM A SHAREHOLDER

During the year, the shareholders of the Company resolved to increase the share capital of the Company by SR 240 million by transferring all the contribution from share holders amounting to SR 82,133,810 to share capital and transferring SR 157,866,190 as additional capital through Al Fozan Holding Company ("Shareholder").

24 REVENUE FROM CONTRACTS WITH CUSTOMERS

24.1 DISAGGREGATED REVENUE INFORMATION

Segments	2019	2018
	SR	*SR*
Type of goods or service:		
Revenue from sale of real estate units (note 10,13)	**143,024,237**	29,014,662
Construction contracts revenue (note 30)	**275,644,685**	164,365,599
Facility management revenue	**28,941,803**	12,211,739
Rent contracts revenue	**2,719,638**	2,021,662
Other revenue	**6,205,386**	1,396,161
Total revenue from contracts with customers	**456,535,749**	209,009,823
Type of customer:		
Government and quasi-government customers	**237,154,637**	60,141,908
Corporate customers	**73,637,237**	117,831,591
Individual customers	**145,743,875**	31,036,324
Total revenue from contracts with customers	**456,535,749**	209,009,823
Credit terms:		
Cash sales	**145,743,875**	31,036,324
Credit sales	**310,791,874**	177,973,499
Total revenue from contracts with customers	**456,535,749**	209,009,823

24.2 CONTRACT BALANCES

	2019	2018
	SR	*SR*
Accounts receivable (note 9)	**94,677,975**	33,975,024
Contract assets (see note (a) below)	**150,459,348**	74,816,781
Contract liabilities (see note (b) below)	**1,606,183**	4,830,104

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at 31 December 2019, the Group's contract assets are concentrated in one major party in an amount of SR 139,181,218, which is equivalent to 96% of the total contract assets (SR 60,660,984 which is equivalent to 82% of the total contract assets as of 31 December 2018).

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to provide services as well as transaction price allocated to unsatisfied performance obligations.

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24 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

24.3 PERFORMANCE OBLIGATIONS

Revenue from sale of investment properties and real estate units:
Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received.

Construction contracts:
Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Payments terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

25 COST OF REVENUE

	2019	2018
	SR	*SR*
Cost of sale of real estate units / projects (note 10,13)	**133,905,345**	26,427,769
Cost of construction contracts	**212,267,740**	131,167,073
Cost of facility management	**23,246,400**	10,638,091
Cost of rent contracts	**4,706,393**	7,500,762
Others	**5,008,040**	2,634,383
	379,133,918	178,368,078

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	SR	*SR*
Employees' salaries and related benefits	**12,057,037**	10,992,023
Depreciation	**5,326,956**	593,515
Rent	**1,494,644**	6,398,927
Utilities	**566,885**	515,868
Hospitality expenses	**511,708**	329,394
Professional fees	**332,012**	215,458
Travel expenses	**307,205**	127,098
Others	**2,619,009**	1,797,057
	23,215,456	20,969,340

27 SELLING AND MARKETING EXPENSES

	2019	2018
	SR	*SR*
Marketing and advertising	**1,036,994**	936,185
Maintenance and after sales expenses	**2,137,585**	777,751
Employees' salaries and related benefits	**1,803,655**	1,504,234
Rent	**528,814**	469,191
Depreciation and amortization	**131,165**	84,322
Others	**678,635**	616,014
	6,316,848	4,387,697

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28 GAIN ON SALE OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year the company has earned a gain of SR 22 million from purchase and sale within the year of 3.4 million shares in a listed entity in KSA market.

29 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION INCLUDED IN THE STATEMENT OF PROFIT OR LOSS

	2019	2018
	SR	*SR*
Included in cost of sales:		
Employee benefits	**38,402,418**	23,163,322
Depreciation of right of use assets	**2,714,819**	-
Depreciation and amortization	**1,255,160**	1,051,889
Included in general and administrative expenses:		
Employee benefits	**12,057,037**	10,992,023
Depreciation of right of use assets	**4,661,758**	-
Depreciation and amortization	**665,198**	593,515
Included in selling and marketing expenses:		
Employee benefits	**1,803,655**	1,504,234
Depreciation and amortization	**131,165**	84,322

30 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-group rates approved by Al Fozan group management.

During the year, the Group transacted with the following related parties:

Name	**Relationship**
Al Fozan Holding Company	Shareholder
Abdullatif and Mohammed Al Fozan Company	Ultimate Parent
Ajwad Holding Company	Affiliate
Al Fozan Askan Company	Affiliate
Al Maali Holding Company	Affiliate
Amjal Property Development Company	Affiliate
ARAC Engineering Consultants	Affiliate
Arnon Plastic Company	Affiliate
Bawan Metal Industries Company	Affiliate
Bina for Ready-mix Products Company	Affiliate
Ewan Al Maali Real Estate Fund	Associate
Ewan Al Qayrawan Real Estate Fund	Associate
Kayan International Real Estate Development Company	Affiliate
Midad Chemical Factory	Affiliate
Nesaj Residential Compound Real Estate Company	Associate
United Homeware Company - (NICE)	Affiliate
Madar Building Materials Company	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate

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30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

	2019	2018
	SR	*SR*
a) *Revenue (note 24)*		
Al Maali Holding Company	**6,950,996**	-
United Homeware Company - (NICE)	**3,080,792**	2,007,128
Nesaj Real Estate Residential Compound Company	**2,874,819**	48,499,263
Ajwad Holding Company	**2,364,275**	1,502,937
Al Fozan Holding Company	**60,000**	6,355,679
b) *Purchases*		
Madar Building Materials Company	**8,081,768**	7,435,607
Madar Electrical Materials Company	**5,576,358**	2,068,945
Madar Hardware Company	**542,497**	309,331
Bina for Ready-mix Products Company	**5,662,989**	6,287,068
Bawan Metal Industries Company	**4,000,344**	4,341,835
c) *Investment properties transferred from related parties (note 13)*		
Al Fozan Holding Company	**79,296,255**	-
d) *Investment in associate transferred from related parties (note 15)*		
Al Fozan Holding Company	**72,357,490**	-
e) *Capital transferred from share holder (note 21)*		
Al Fozan Holding Company	**157,866,190**	-
f) *Finance charges*		
Al Fozan Holding Company	**4,167,049**	8,397,372
g) *Zakat provision transferred (note 19)*		
Al Fozan Holding Company	**10,855,459**	390,529
h) End of service indemnity transferred to a related party (note 20)		
Al Fozan Holding Company	**-**	343,801

As at 31 December due from related parties includes the following:

	2019	2018
	SR	*SR*
Nesaj Residential Compound Real Estate Company	**3,695,197**	8,870,556
Ewan Al Maali Real Estate Fund	**2,435,347**	1,081,525
Al Maali Holding Company	**2,408,697**	1,633,972
ARAC Engineering Consultants	**2,104,823**	1,083,850
United Hardware Company	**288,200**	381,337
Abdullatif and Mohammed Al Fozan Company	**-**	11,984,758
Ewan Al Qayrawan Real Estate Fund	**-**	1,576,369
Midad Chemical Factory	**-**	43,659
	10,932,264	26,656,026
Less:		
Non-current portion	-	(11,984,758)
	10,932,264	14,671,268

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30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Due from related parties (Continued)
As of 31 December 2019, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule. (31 December 2018: the same)

As at 31 December due to related parties includes the following:

	2019	2018
	SR	*SR*
Al Fozan Holding Company	**88,724,538**	173,465,770
United Homeware Company - (NICE)	**2,750,000**	-
Madar Building Materials Company	**1,716,330**	4,616,200
Bina for Ready-mix Products Company	**1,631,949**	3,971,031
Madar Electrical Materials Company	**1,586,193**	724,799
Bawan Metal Industries Company	**1,227,320**	1,797,056
Ajwad Holding Company	**575,839**	708,286
Madar Hardware Company	**406,825**	89,419
Arnon Plastic Company	**137,667**	137,667
	98,756,661	185,510,228
Less: Non-current portion	**-**	(120,000,000)
	98,756,661	65,510,228

As of December 31, 2019 the Group believes that due to relate parties' balances are repayable upon request. As a result, these balances are classified as current liabilities.

As of December 31, 2018 the Group believes that some of balance due to related parties amounted to SR 120,000,000 are not expected to be settled within twelve months from the statement of financial position and will not be claimed before at least one year. Therefore this balance is classified as non-current liabilities.

Some of the Company's operational activities are funded through the cash transferred from Al Fozan Holding Company ("Shareholder"). This account carries finance charges at commercial rates and the terms were approved by management.

As at 31 December 2018, advance from related party represents advance from Nesaj Residential Compound Real Estate Company.

Compensation of key management personnel of the Company

	2019	2018
	SR	*SR*
Short term employee benefits	**5,883,575**	5,991,829

31 CONTINGENCIES AND COMMITMENTS

Guarantees:
The Group is contingently liable for bank guarantees issued in the normal course of business amounting SR 75 million as at 31 December 2019 (2018: SR 75 million).

CAPITAL COMMITMENTS
At December 31, the Group had the following capital commitments:

	2019	2018
	SR	*SR*
Capital commitments for construction contracts	**106,023,601**	470,923,910

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32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

32.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2019						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Accounts receivable	-	94,677,975	94,677,975	-	-	-	-
	-	94,677,975	94,677,975	-	-	-	-
Financial liabilities							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	138,968,330	138,968,330	-	-	-	-
Accrued expenses and other payables	-	7,528,040	7,528,040	-	-	-	-
	-	296,515,056	296,515,056	-	-	-	-

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Fair value measurements of financial instruments (Continued)

	31 December 2018						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVOCI	37,107,593	-	37,107,593	37,107,593	-	-	37,107,593
Accounts receivable	-	33,975,024	33,975,024	-	-	-	-
	37,107,593	33,975,024	71,082,617	37,107,593	-	-	37,107,593
Financial liabilities							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	204,887,097	204,887,097	-	-	-	-
Accrued expenses and other payables	-	11,605,670	11,605,670	-	-	-	-
	-	366,511,453	366,511,453	-	-	-	-

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

32.2 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit Risk:
Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its contract assets, accounts receivables and bank balances as follows.

	2019	2018
	SR	*SR*
Contract assets	**150,459,348**	74,816,781
Accounts receivable	**94,677,975**	33,975,024
Cash and cash equivalents	**9,637,394**	85,055,054
	254,774,717	193,846,859

The carrying amount of financial assets represents the maximum credit exposure.

The Group seeks to limit its credit risk with respect to contract assets and accounts receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

Bank balances are held with banks with sound credit ratings.

Liquidity Risk:
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2019			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
	SR	**SR**	**SR**	**SR**
Financial Liabilities				
Refundable incentives	**150,018,686**	**150,018,686**	**-**	**-**
Accounts payable	**138,968,330**	**135,001,643**	**3,966,687**	**-**
Accrued expenses and other payables	**7,528,040**	**7,528,040**	**-**	**-**
	296,515,056	**292,548,369**	**3,966,687**	**-**

	31 December 2018			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities				
Refundable incentives	150,018,686	150,018,686	-	-
Accounts payable	204,887,097	82,960,570	121,926,527	-
Accrued expenses and other payables	11,605,670	11,605,670	-	-
	366,511,453	244,584,926	121,926,527	-

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

32.2 Risk Management of Financial Instruments (Continued)

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

Market Risk:
Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Group's management believes that their exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk
Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at 31 December 2019 amounted to SR Nil (2018: SR Nil).

Management monitors the changes in interest rates and manages its impact on the consolidated financial

33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

33.1 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities* The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	1 January 2019

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

33.1 New and amended IFRS applied with no material effect on the financial statements (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs* The Annual Improvements include amendments to four Standards.	1 January 2019
IAS 12 *Income Taxes* The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1 January 2019
IAS 23 *Borrowing costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1 January 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	1 January 2019

33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

33.2 New and amended IFRS applied with no material effect on the financial statements (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - Whether tax treatments should be considered collectively; - Assumptions for taxation authorities' examinations; - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and The effect of changes in facts and circumstances.	1 January 2019
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	1 January 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'	1 January 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020

33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

33.2 New and amended IFRS applied with no material effect on the financial statements (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2023.	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Group in the period of initial application.

34 SUBSEQUENT EVENTS

The existence of novel Coronavirus disease (COVID-19) was confirmed in early 2020 and has spread globally causing disruptions to businesses and economic activity. Management considers this outbreak to be a non-adjusting event after the reporting period. As the situation is fluid and rapidly evolving, management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group as of the date of issuance of the consolidated financial statements.

Management will continue to monitor the impact of COVID-19 and in case of any significant changes in the current circumstances, additional disclosures will be addressed in the subsequent year consolidated financial statements.

There were no other events subsequent to the reporting date and occurring before the date of the approval of the consolidated financial statements that are required to make amendment or disclosure in these consolidated financial statements.

35 COMPARATIVE FIGURES

Certain figures for the year 2018 have been reclassified to conform with the presentation of the current year.

36 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by Board of Directors on 5 Ramadhan 1441H corresponding to 28 April 2020.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RETAL URBAN DEVELOPMENT COMPANY

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Retal Urban Development Company (the "Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF RETAL URBAN DEVELOPMENT COMPANY

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Baker Tilly MKM & Co.
Certified Public Accountants
Al-Khobar – Kingdom of Saudi Arabia

Bader Hatim Al Tamimi
License No. 489
17 Ramadan 1442H
29 April 2021

بيكر تيلي م ك م و شركاه
محاسبون قانونيون
C P A
License 323/11/479
BAKER TILLY M K M & CO.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020	2019
		SR	*SR*
ASSETS			
Current assets			
Cash on hand and at banks	6	**64,980,903**	9,637,394
Prepayments and other receivables	7	**95,963,416**	31,157,780
Accounts receivable	8	**81,217,784**	93,451,129
Inventories		**22,253,953**	4,366,698
Contract assets	24	**203,751,210**	150,459,348
Development properties - short-term	9	**139,487,750**	30,888,446
		607,655,016	319,960,795
Non-current assets			
Accounts receivable – long-term	8	**2,869,455**	1,226,846
Property and equipment	10	**90,211,857**	4,912,187
Right -of- use assets	11	**14,915,574**	20,464,296
Development properties - long-term	9	**-**	2,208,323
Investment properties	12	**329,198,152**	210,437,819
Intangible assets	13	**3,499,266**	3,726,787
Investment in associate	14	**121,249,913**	112,820,279
		561,944,217	355,796,537
TOTAL ASSETS		**1,169,599,233**	675,757,332
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable - current	15	**259,460,337**	135,001,643
Accrued expenses and other payables	16	**26,020,767**	7,528,040
Lease liabilities - current portion	11	**8,693,371**	7,508,926
Contract liabilities	24	**24,690,054**	1,606,183
Refundable incentives	17	**115,018,686**	150,018,686
Short-term loan	18	**50,000,000**	-
Term-loans - current portion	18.1	**83,733,333**	-
Zakat payable	19	**5,975,018**	5,894,975
		573,591,566	307,558,453
Non-current liabilities			
Lease liabilities - non-current portion	11	**3,073,311**	10,271,061
Term-loans - non-current portion	18.1	**64,666,667**	-
Employee termination benefits	20	**9,481,493**	7,794,053
Accounts payable - non-current	15	**-**	3,966,687
		77,221,471	22,031,801
Total liabilities		**650,813,037**	329,590,254
Equity			
Capital	21, 23	**375,000,000**	250,000,000
Statutory reserve	22	**18,832,565**	8,969,214
Actuarial reserve	14, 20	**(2,508,550)**	(1,494,163)
Retained earnings		**127,462,181**	88,692,027
Total equity		**518,786,196**	346,167,078
TOTAL LIABILITIES AND EQUITY		**1,169,599,233**	675,757,332

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR	2019 SR
Revenue	24 , 30	**587,450,646**	456,535,749
Cost of revenue	25, 30	**(463,142,384)**	(379,133,918)
Gross profit		**124,308,262**	77,401,831
General and administrative expenses	26	**(26,431,829)**	(23,215,456)
Selling and marketing expenses	27	**(7,701,933)**	(6,316,848)
Operating profit		**90,174,500**	47,869,527
Finance costs	11, 18, 20, 30	**(1,923,931)**	(4,960,584)
Dividend income from investments at fair value through profit or loss		-	1,121,885
Share of results of associates	14	**12,827,021**	(3,063,604)
Gain on sale of investments at fair value through profit or loss	28	**374,422**	22,461,794
Other income, net		**1,891,994**	893,578
Profit before zakat		**103,344,006**	64,322,596
Zakat	19	**(4,710,501)**	(4,630,457)
PROFIT FOR THE YEAR		**98,633,505**	59,692,139
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Change in realized fair value of equity instruments at FVOCI		-	(1,031,226)
Remeasurements of defined benefit liability in associate	14	**19,893**	-
Remeasurements of defined benefit liability	20	**(1,034,280)**	(569,666)
Net OCI (loss) that will not be reclassified to profit or loss in subsequent years		**(1,014,387)**	(1,600,892)
Other comprehensive loss for the year		**(1,014,387)**	(1,600,892)
Total comprehensive income for the year		**97,619,118**	58,091,247
Earnings Per Share for the Year (Basic and Diluted)	35	**3.90**	34.64

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Capital	*Statutory reserve*	*Contribution from a shareholder*	*Actuarial reserve*	*Fair value reserve of equity instruments at FVOCI*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
For the year ended 31 December 2020:							
As at 1 January 2020	**250,000,000**	**8,969,214**	-	**(1,494,163)**	-	**88,692,027**	**346,167,078**
Profit for the year	-	-	-	-	-	**98,633,505**	**98,633,505**
Other comprehensive loss	-	-	-	**(1,014,387)**	-	-	**(1,014,387)**
Total comprehensive income	-	-	-	**(1,014,387)**	-	**98,633,505**	**97,619,118**
Transfer to statutory reserve (note 22)	-	**9,863,351**	-	-	-	**(9,863,351)**	-
Contribution from shareholder (note 23)	-	-	**125,000,000**	-	-	-	**125,000,000**
Increase in share capital (note 21)	**125,000,000**	-	**(125,000,000)**	-	-	-	-
Dividends (note 34)	-	-	-	-	-	**(50,000,000)**	**(50,000,000)**
Balance as at 31 December 2020	**375,000,000**	**18,832,565**	-	**(2,508,550)**	-	**127,462,181**	**518,786,196**
For the year ended 31 December 2019:							
As at 1 January 2019	10,000,000	3,000,000	82,133,810	(924,497)	(2,774,332)	38,774,660	130,209,641
Profit for the year	-	-	-	-	-	59,692,139	59,692,139
Other comprehensive loss	-	-	-	(569,666)	(1,031,226)	-	(1,600,892)
Total comprehensive income	-	-	-	(569,666)	(1,031,226)	59,692,139	58,091,247
Transfer to statutory reserve (note 22)	-	5,969,214	-	-	-	(5,969,214)	-
Increase in share capital (note 21)	240,000,000	-	(82,133,810)	-	-	-	157,866,190
Utilization of reserve on sale of equity instruments at FVOCI	-	-	-	-	3,805,558	(3,805,558)	-
Balance as at 31 December 2019	250,000,000	8,969,214	-	(1,494,163)	-	88,692,027	346,167,078

The accompanying notes form an integral part of these consolidated financial statements

5

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 SR	2019 SR
OPERATING ACTIVITIES		
Profit before zakat	**103,344,006**	64,322,596
Adjustments for non-cash items:		
Depreciation and amortization	**12,431,525**	9,428,100
Gain on sale of investments at fair value through profit or loss	**(374,422)**	(22,461,794)
Employee termination benefits	**1,905,143**	1,654,619
Share of results of associates	**(12,827,021)**	3,063,604
Dividends income from investments at fair value through profit or loss	**-**	(1,121,885)
(Gain) loss from sale of property and equipment	**(172,321)**	27,311
	104,306,910	54,912,551
Changes in working capital:		
Development properties	**(103,578,702)**	56,547,459
Inventories	**(17,887,255)**	(911,643)
Contract assets	**(53,291,862)**	(75,642,567)
Accounts receivable	**10,590,736**	(60,702,951)
Prepayments and other receivables	**(64,805,636)**	(6,175,761)
Accounts payable	**97,300,791**	(65,918,767)
Accrued expenses and other payables	**18,492,727**	(4,077,630)
Contract liabilities	**23,083,871**	(3,223,921)
Net cash from (used in) operations	**14,211,580**	(105,193,230)
Employee termination benefits paid	**(1,304,336)**	(1,090,520)
Zakat paid	**-**	-
Net cash from (used in) operating activities	**12,907,244**	(106,283,750)
INVESTING ACTIVITIES		
Additions to investment properties	**(183,401,965)**	(55,250,625)
Proceeds from sale of investment properties	**-**	691,013
Purchase of property and equipment	**(27,977,927)**	(2,711,028)
Proceeds from sale of property and equipment	**359,603**	173,334
Additions to intangible assets	**-**	(59,800)
Dividends received from investment at fair value through profit or loss	**-**	1,121,885
Dividends received from associates	**1,580,000**	-
Proceeds from sale of equity instruments at FVPL net	**374,422**	22,461,794
Disposal / Redemption of investment in an associate	**37,919,790**	40,317,050
Proceeds from sale of equity instruments at FVOCI	**-**	36,076,367
Net cash (used in) from investing activities	**(171,146,077)**	42,819,990
FINANCING ACTIVITIES		
(Repayment) proceeds from refundable incentives	**(35,000,000)**	-
Proceeds of long-term loan	**148,400,000**	-
Proceeds from short term loan	**50,000,000**	-
Lease payments	**(8,924,565)**	(7,310,886)
Change in due to related parties	**109,106,907**	(4,643,014)
Dividend paid	**(50,000,000)**	-
Net cash from (used in) financing activities	**213,582,342**	(11,953,900)

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	SR	*SR*
Net change in cash and cash equivalents	**55,343,509**	(75,417,660)
Cash and cash equivalents at the beginning of the year	**4,112,430**	85,055,054
Less: change in restricted bank balance (note 6, 17)	**(49,480,532)**	(5,524,964)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9,975,407**	4,112,430
NON-CASH TRANSACTIONS:		
Increase share capital through contribution from a shareholder (note 21, 23)	**125,000,000**	82,133,810
Additional capital transferred through shareholder (note 30)	-	157,866,190
Investment properties transferred from related parties (note 12)	-	79,296,255
Investment properties transferred through contribution from a shareholder (note 12)	**17,560,000**	-
Investment properties transferred from development properties (note 9, 12)	**4,187,393**	45,463,878
Change in fair value of equity instruments at FVOCI recognised on retained earnings (note 12)	-	3,805,558
Property and equipment transfered from development properties (note 9, 10)	**225,128**	-
Investment in associates transferred from a related party (note 14)	-	72,357,490
Investment in associates transferred through contribution from a shareholder (note 14)	**107,440,000**	-
Recognition of right -of- use assets (note 11)	**2,615,222**	27,840,873
Recognition of lease liabilities (note 11)	**3,289,540**	25,090,873
Development proprties transferred from investment property (note 9, 12)	**7,224,800**	7,405,176
Investement in associate transferred to related party, net (note 14)	**72,357,490**	-
Property and equipment transfered from investment properties	**57,074,033**	-
Share of OCI in investment in associate (note 14)	**19,893**	-
Disposal of lease	**98,012**	-
Employee termination benefits transferred from a related party (note 20)	**52,353**	-
Zakat provision transferred to a related party (note 19)	**4,630,458**	10,855,459

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 GROUP INFORMATION

Retal Urban Development Company ("the Company") or ("the Parent Company") is a closed joint stock company (previously a limited liability company) registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012). The registered address of the Company is P.O. Box 1448 Al Rawaby, King Faisal Str., Al Khobar, 31952, Kingdom of Saudi Arabia.

During the year 2020, the shareholders decided to convert the company from a limited liability Company to a closed joint stock company. The Company obtained ministerial approval for the official announcement of the conversion on 9 Muharram 1442 H, corresponding to 28 August 2020.

The Company's by-laws stipulate that the Company's first fiscal year starts from the date of ministerial approval of the official announcement to convert the company from a limited liability Company to a closed joint stock Company i.e. 28 August 2020 until 31 December of the following year. The Company's management believes that since the change in the legal form of the Company did not lead to any new accounting unit, these consolidated financial statements have been prepared for a full year from 1 January 2020 to 31 December 2020, to better reflect the Company's operations on a consistent and comparable basis.

The Company is principally engaged in:

- Purchase and sale of land and real estate, divide them, and sale on map activities;
- General construction of residential buildings;
- General construction of non-residential building, including (schools, hospitals, hotels ...etc).

The Company's By-laws includes the activity of acquisition of shares or shares in existing companies or merger with them.

The financial statements include the assets, liabilities, and the results of the Company and the following branch:

Branch	Date	Location	Registration certificate
Retal Urban Development Company branch	21 Dhu al-Qi'dah 1441	Riyadh	1010642508

The Ultimate Parent Company is Abdullatif and Mohammed Al Fozan Company.

These consolidated financial statements include the financial statements of the Company and the following subsidiaries (collectively referred to as "the group") that are 100% directly and indirectly owned and prepared by the management for the purposes of submitting them to GAZT in accordance with Ministerial Resolution No. 1005 that dated 28 Rabi' al-Thani 1428H.

	Effective ownership	
	2020	2019
	%	%
Tadbeir Limited Company ("Tadbeir")	**100**	100
Nesaj Urban Development Company ("Nesaj")	**100**	100
Building and Construction Company ("BCC")	**100**	100
Wejha United Real Estate Company ("Wejha")	**100**	-

Tadbeir

Tadbeir is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (4 November 2014). The registered address of Tadbeir is P.O. Box 38, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

Tadbier is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

1 GROUP INFORMATION (Continued)

Nesaj

Nesaj is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (5 August 2012). The registered address of Nesaj is P.O.Box 31059, Al Turki business park, Al-Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of the Nesaj are:
- Buying lands and constructing buildings on them for sale or rental to third parties;
- Management, maintenance and development of real estate;
- Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
- General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of BCC is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

Wejha

Wejha is a single person limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051232830 issued in Khobar dated 1 Rabi` Al-Thani 1442H (16 November 2020). The registered address of Wejha is P.O. Box 34421, Rawabi, Khobar, Kingdom of Saudi Arabia.

The principle activities of Al-Wejha company are general contracting of residential buildings.

The capital of A-Wejha company is SR 50,000 (2019: Nil). The procedures for updating the article of association of Al-Wejha have not been completed as at the end of the year, noting that the assets and liabilities of Al-Wejha company have been assigned to the parent company as a irreversible waiver. The total assets of Al-Wajha Company amounted to SR 135 million, which is a plot of land purchased through the parent company.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants. Details of the Group's significant accounting policies are disclosed in note 4.

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and defined benefit obligations measured at fair value. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the Group disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management	Note 32
- Sensitivity analysis disclosures	Note 3, 20, 32

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recogized in the consolidated financial statements:

Control over subsidiaries

The Group has entered into various investments. The Group determines whether or not to consolidate the investee entities, account for them using the equity method or designate them at fair value based on the Group assessment of whether it has control over these investments or not. In determining whether control or significant influence exists or not, management assesses whether the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing such power, indicators are analyzed in arriving to outcome of the control assessment made by Group, such as, among other factors, board representation, voting right and technical know-how.

Significant influence over an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertain zakat position

The Group's current zakat payable of SR 5,975,018 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 19 describes the status of zakat and tax assessments.

Impairment of inventories

Inventories are stated at cost or net realizable value, which is lower. Once the inventories become old or obsolete, an estimate is made for their net realizable value. For each significant amount, an estimate is made individually for each amount. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance is provided based on the type, age or degree of obsolescence, based on expected selling prices.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Estimated cost to complete

The Group uses the percentage-of-completion method ("POC") in accounting for its long-term construction contracts. Use of POC requires the Group to estimate the total cost to complete a contract. If the total estimated costs were 10% higher than management's estimates, the amount of revenue recognised during the year ended 31 December 2020 would have decreased by SR 14.9 million. If the total estimated costs were 10% lesser than management's estimates, the amount of revenue recognised during the year ended 31 December 2020 would have increased by SR 17.2 million as well.

RETAL URBAN DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions (Continued)

Impairment of trade receivables

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.The information about the ECLs on the trade receivables is disclosed in Notes 8 and 32.

Long-term assumptions for employees' benefits

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Options for extending and terminating lease contracts

Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Group and the Lessor.

When determining the tenancy contract duration, the Group's management takes into account all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee.

Lease Payments Discount

Rental payments are discounted using the Group's incremental borrowing rate (IBR). The Group's management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

Backdrop of the Covid-19 pandemic

Group has reviewed the key sources of estimation uncertainties disclosed in the consolidated financial statements against the backdrop of the Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the consolidated financial statements as of December 31, 2019. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020 and 2019 as disclosed in note 1. The following tables summarize the financial information of the subsidiaries as included in their financial statements:

a. Tadbeir Limited Company

The following table summarizes the financial information of Tadbeir company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of Tadbeir.

	2020	2019
	SR	*SR*
Total assets	**25,307,313**	15,373,717
Total Liabilities	**(25,199,842)**	(13,320,473)
Equity	**107,471**	2,053,244

The following is a summary of Tadbeir's statement of profit or loss and other comprehensive income for the year ended 31 December:

	2020	2019
	SR	*SR*
Revenue	**31,015,531**	28,941,803
(Loss) profit for the year	**(1,596,266)**	872,703
Total (loss) comprehensive income	**(1,945,773)**	752,279
Company's interest from total comprehensive income	**(1,945,773)**	752,279

b. Nesaj Urban Development Company

The following table summarizes the financial information of Nesaj company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of Nesaj.

	2020	2019
	SR	*SR*
Total assets	**10,501,640**	26,958,876
Total Liabilities	**(3,727,563)**	(15,225,833)
Equity	**6,774,077**	11,733,043

The following is a summary of Nesaj's statement of profit or loss and other comprehensive income for the year ended 31 December:

	2020	2019
	SR	*SR*
Revenue	**17,043,434**	33,032,765
Profit (loss) for the year	**5,090,692**	(5,463,951)
Total other comprehensive loss	**(49,645)**	(6,535,701)
Company's interest from total comprehensive income (comprehensive loss)	**5,041,047**	(6,535,701)

RETAL URBAN DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

c. Building and Construction Company

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of BCC is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

The other partner waived his right in the investee company in favor of Retal Urban Development Company. The company obtained the wavier letter and agreed to the percentage of the interest that was waived.

The following table summarizes the financial information of Building and Construction Company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of BCC.

	2020	2019
	SR	*SR*
Total assets	**198,926,545**	63,411,780
Total Liabilities	**(166,663,424)**	(41,534,732)
Goodwill	**3,088,189**	3,088,189
Equity	**35,351,310**	24,965,237

The following is a summary of BCC's statement of profit or loss and other comprehensive income for the year ended 31 December:

	2020	2019
	SR	*SR*
Revenue	**288,215,902**	158,976,631
Profit for the year	**10,864,230**	6,623,255
Total (comprehensive loss) comprehensive income	**(478,097)**	6,216,080
Company's interest from total comprehensive income	**10,386,133**	6,216,080

d. Wejha United Real Estate Company

The following table summarizes the financial information of Wejha United Real Estate Company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of Wejha United Real Estate Company.

	2020	2019
	SR	*SR*
Total assets	**135,581,004**	-
Total Liabilities	**(135,531,004)**	-
Equity	**50,000**	-

During the year 2020, Wejha company has no revenue and has not incurred any expenses.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of consolidated other comprehensive income ("OCI") are attributed to the shareholders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

RETAL URBAN DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the profit or loss as a bargain purchase gain.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and office equipment	4 to 10 years
Machinery and equipment	5 years
Vehicles	4 to 5 years
Leasehold improvements	Lower of 4 years or lease period
Building	25 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress

Assets in the course of construction or development are capitalized into a capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment or investment properties, once the asset is in the necessary location / or condition in order for it to be operable in the manner intended by management. The cost of capital work-in-progress includes the purchase price, construction / development cost and any other cost directly related to the creation or purchase of an item of capital work-in-progress intended by management.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development properties

Properties that are being constructed or developed for the purpose of selling them in the normal course of the Group's business are classified as development properties until the completion of their construction or development.

Development properties that are expected to be ready for sale within next twelve months are classified as part of the Group's current assets.

Properties that are being constructed or developed on leased land to earn rentals in the normal course of the Group's business are classified as development properties until the completion of its construction or development, at that time they are transferred as investment property under non-current assets.

Development properties include the costs incurred for the construction and development of such properties.

Investment properties

Investment properties are accounted for using the Cost Model consistent with the way property and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 30 years.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss when it is incurred.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Companhy's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in profit or loss.

Group as a lessor

Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue once they are earned.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and subsidiaries which have not been consolidated are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

The consolidated statement of profit or loss and other Comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate and subsidiaries is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after zakat in the subsidiaries and associates.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and subsidiaries is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as 'Share of profit of an associate in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

Inventories

The cost of raw materials and spare parts are those expenditure incurred in bringing each item to its present location and condition. Inventories are priced by applying the weighted average method. The inventory as at 31 December 2020 represents materials used in the development.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes contract assets and trade receivables.

Equity instruments at fair value through other comprehensive income

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

A provision for the expected credit loss should be recognized over the life of the financial instrument if the credit risk on that financial instrument increases substantially since the initial recognition and the expected credit loss is an expected weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the expectation of several future economic scenarios, discounted at the effective interest rate of the asset. The Group assesses whether there is objective evidence of impairment on an individual basis for each asset of individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

Employee termination benefits

short term employee benefit

The cost of short-term employee benefits (due within 12 months after the end of service, such as paid vacations, tickets, bonuses, and non-monetary benefits such as medical care) in respect of employee services is recognized until the end of the reporting period, and is measured in the undiscounted amounts expected to be paid upon settlement of the obligations.

Employees end of service benefits

The cost of benefits for employees under defined benefit programs is determined separately for each program using the planned unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Expenses

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Group.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zakat

The Group provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the profit or loss. Zakat is submitted based on the consolidated declaration (note 19).

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the consolidated statement of financial position.

5 CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended 31 December 2020 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standard effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

6 CASH ON HAND AND AT BANKS

	2020	2019
	SR	*SR*
Cash on hand	**127,217**	108,321
Cash at banks	**64,853,686**	9,529,073
	64,980,903	9,637,394

As at 31 December, cash and cash equivilants was as following:

	2020	2019
	SR	*SR*
Cash on hand	**127,217**	108,321
Cash at banks	**64,853,686**	9,529,073
Minus: restricted bank balance	**(55,005,496)**	(5,524,964)
	9,975,407	4,112,430

As at 31 December 2020, cash at banks include bank balance of SR 55,005,496 (2019: SR 5,524,964) in a local bank in restricted escrow accounts (note 17).

Cash at banks represent balances with local banks with a sound credit rating. Furthermore, these balances bear no interests. The carrying amount of these assets is approximately equal to their fair value.

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7 PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	SR	*SR*
Advances to suppliers	**39,956,523**	7,589,858
Prepaid expenses	**7,026,194**	6,198,380
Employee receivables	**8,397,682**	3,396,402
Value added tax	**36,728,639**	11,476,227
Others	**3,854,378**	2,496,913
	95,963,416	31,157,780

8 ACCOUNTS RECEIVABLE

	2020	2019
	SR	*SR*
Accounts receivable - third parties	**75,940,999**	83,745,711
Accounts receivable - related parties (note 30)	**8,146,240**	10,932,264
	84,087,239	94,677,975

Accounts receivables are classified into current and non-current receivables as follows:

	2020	2019
	SR	*SR*
Current receivables	**81,217,784**	93,451,129
Non-current receivables	**2,869,455**	1,226,846
	84,087,239	94,677,975

As of 31 Decemeber 2020, the Group's accounts receivable - third parties are concentrated in 5 major counter parties in an amount of SR 67,098,234, which is equivalent to 81% of the total accounts receivable.

As of 31 Decemeber 2019, the Groups's accounts receivable - third parties are concentrated in 3 major counter parties in an amount of SR 55,316,987, which is equivalent to 65% of the total accounts receivable.

The non-current portion of accounts receivable represents balances that management estimates to be collected after one year from the date of the consolidated statement of financial position.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good. Moreover, all the related parties balances are guaranteed by Al Fozan Holding Company (shareholder).

An aged analysis of trade receivables - third parties as at 31 December is as follows:

	Neither past due nor impaired	Past due but not impaired				Total
		< 180 days	181-365 days	366-730 days	> 730 days	
		SR	*SR*	*SR*	*SR*	*SR*
2020	**60,553,444**	**6,129,387**	**5,356,195**	**3,901,973**	-	**75,940,999**
2019	32,104,131	46,722,803	4,918,777	-	-	83,745,711

The Group measures the allowance for trade receivables at an amount equivalent to the expected lifetime credit loss. The expected credit losses from trade receivables are estimated using a matrix based on the experience of defaulting on the previous debtor's repayment and an analysis of the debtor's current financial position, adjusted for debtors' factors and the general economic conditions of the sector in which they work and assessing both the current trend and expectations for conditions in the history of the consolidated financial statements. No expected credit loss has been recorded as there has not been a significant change in credit quality.

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9 DEVELOPMENT PROPERTIES

Long-term:

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
1 January 2019	45,794,911	31,167,578	76,962,489
Additions	-	8,510,798	8,510,798
Transferred to investment properties (note 12)	(30,275,938)	(9,207,032)	(39,482,970)
Transferred to short term properties	(15,518,973)	(28,263,021)	(43,781,994)
31 December 2019	-	2,208,323	2,208,323
Transferred to short term development properties	**-**	**(2,208,323)**	**(2,208,323)**
31 December 2020	**-**	**-**	**-**

As of 31 December 2019, long term projects mainly represent development cost incurred by the Group for different projects.

Short-term:

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
1 January 2019	9,140,968	41,599,473	50,740,441
Additions	23,865,688	49,535,228	73,400,916
Transferred from investment properties (note 12)	7,405,176	-	7,405,176
Transferred from long term development properties	15,518,973	28,263,021	43,781,994
Transferred to investment properties (note 12)	(2,065,536)	(3,915,372)	(5,980,908)
Cost of units / projects sold	(45,730,825)	(87,483,507)	(133,214,332)
Cost of contracts	-	(5,244,841)	(5,244,841)
31 December 2019	8,134,444	22,754,002	30,888,446
Additions	**68,047,787**	**481,501,302**	**549,549,089**
Transferred from long term development properties	**-**	**2,208,323**	**2,208,323**
Transferred from investment properties (note 12)	**2,629,516**	**4,595,284**	**7,224,800**
Transferred to investment properties (note 12)	**(1,185,623)**	**(3,001,770)**	**(4,187,393)**
Cost of units / projects sold	**(35,294,929)**	**(410,675,458)**	**(445,970,387)**
Transferred to property and equipment (note 10)	**-**	**(225,128)**	**(225,128)**
31 December 2020	**42,331,195**	**97,156,555**	**139,487,750**

As of 31 December 2020, short-term projects represent mainly the cost of land and developments incurred by the Group toward the construction of Nesaj Town Khobar (Aziziah) and Nesaj Town 2 residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months.

As of 31 December 2019, short-term projects represent mainly the cost of land and developments incurred by the Group toward the construction of Retal Square residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months.

The title deeds of Nassaj Town Riyadh project land amounted to SR 57.3 million are mortgaged against a term loan from a local commercial bank (note 18-b).

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10 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	*Machinery and equipment*	*Vehicles*	*Leasehold improvements*	*Building*	*Land*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost								
At 1 January 2019	6,276,326	16,036,308	2,570,317	2,800,768	-	-	-	27,683,719
Additions	1,005,076	845,885	860,067	-	-	-	-	2,711,028
Disposals	-	(616,747)	(344,992)	(408,865)	-	-	-	(1,370,604)
At 31 December 2019	7,281,402	16,265,446	3,085,392	2,391,903	-	-	-	29,024,143
Additions	**1,602,795**	**2,166,598**	**722,624**	**1,145,287**	**-**	**21,621,863**	**718,760**	**27,977,927**
Transfered from investment properties (note 12)	**81,297**	**-**	**-**	**-**	**27,202,427**	**32,565,500**	**-**	**59,849,224**
Transfered from development properties (note 9)	**225,128**	**-**	**-**	**-**	**-**	**-**	**-**	**225,128**
Disposals	**(49,182)**	**(1,298,000)**	**(492,024)**	**(2,391,903)**	**-**	**-**	**-**	**(4,231,109)**
At 31 December 2020	**9,141,440**	**17,134,044**	**3,315,992**	**1,145,287**	**27,202,427**	**54,187,363**	**718,760**	**112,845,313**
Accumulated depreciation:								
At 1 January 2019	4,831,089	14,808,742	1,578,333	2,718,993	-	-	-	23,937,157
Charge for the year	652,207	402,986	221,459	68,106	-	-	-	1,344,758
Disposal	-	(582,015)	(192,748)	(395,196)	-	-	-	(1,169,959)
At 31 December 2019	5,483,296	14,629,713	1,607,044	2,391,903	-	-	-	24,111,956
Charge for the year	**632,256**	**506,027**	**348,179**	**304,364**	**774,501**	**-**	**-**	**2,565,327**
Disposals	**(45,198)**	**(1,254,000)**	**(352,726)**	**(2,391,903)**	**-**	**-**	**-**	**(4,043,827)**
At 31 December 2020	**6,070,354**	**13,881,740**	**1,602,497**	**304,364**	**774,501**	**-**	**-**	**22,633,456**
Net book values								
At 31 December 2020	**3,071,086**	**3,252,304**	**1,713,495**	**840,923**	**26,427,926**	**54,187,363**	**718,760**	**90,211,857**
At 31 December 2019	1,798,106	1,635,733	1,478,348	-	-	-	-	4,912,187

As of 31 December 2020 capital work in progress represents additional construction on Retal Tower, expected to be completed during the year 2021.
Part of the lands in the amount of SR 32.5 million are mortgaged against a term loan from a local commercial bank (note 18-c).

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11 RIGHT -OF- USE ASSETS

Right -of- use assets balances and depreciation charge are as follows:

Building	2020 SR	*2019 SR*
Cost:		
1 January	**27,840,873**	27,840,873
Addition	**2,615,222**	-
Disposal	**(770,153)**	-
31 December	**29,685,942**	27,840,873
Accumulated depreciation:		
1 January	**7,376,577**	-
Charge for the year	**7,883,676**	7,376,577
Disposal	**(489,885)**	-
31 December	**14,770,368**	7,376,577
Net book value as at 31 December	**14,915,574**	20,464,296

Lease liabilities for the year ended 31 December are as follows:

	2020 SR	*2019 SR*
Lease liabilities		
1 January	**17,779,987**	25,090,873
Addition	**3,289,540**	-
Disposal	**(378,280)**	-
Payments during the year	**(8,924,565)**	(7,310,886)
31 December	**11,766,682**	17,779,987
Current portion of lease liabilities	**8,693,371**	7,508,926
Non-current portion of lease liabilities	**3,073,311**	10,271,061
Total lease liabilities	**11,766,682**	17,779,987

The total interest expense on lease liabilities recognized during the year ended 31 December 2020 is SR 744,316 (31 December 2019: SR 694,167).

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12 INVESTMENT PROPERTIES

	Land	*Building*	*Capital Work in progress ("CWIP")*	*Total*
	SR	*SR*	*SR*	*SR*
Cost:				
At 1 January 2019	30,806,591	8,651,152	-	39,457,743
Additions	32,565,500	22,685,125	-	55,250,625
Transferred from related parties (note 30)	79,296,255	-	-	79,296,255
Transferred from development properties (note 9)	32,341,474	5,529,122	7,593,282	45,463,878
Transferred to development properties (note 9)	(7,405,176)	-	-	(7,405,176)
Disposals	(248,815)	(460,465)	-	(709,280)
At 31 December 2019	167,355,829	36,404,934	7,593,282	211,354,045
Additions (note 30)	**159,862,630**	**3,653,033**	**19,886,302**	**183,401,965**
Transferred from development properties (note 9)	**1,185,623**	**3,001,770**	-	**4,187,393**
Transfer from CWIP	-	**195,860**	**(195,860)**	-
Transferred to property and equipment (note 10)	**(32,565,500)**	-	**(27,283,724)**	**(59,849,224)**
Transferred to development properties (note 9)	**(2,629,516)**	**(5,171,051)**	-	**(7,800,567)**
At 31 December 2020	**293,209,066**	**38,084,546**	-	**331,293,612**
Accumulated depreciation:				
At 1 January 2019	-	374,571	-	374,571
Charge for the year	-	559,922	-	559,922
Disposal	-	(18,267)	-	(18,267)
At 31 December 2019	-	916,226	-	916,226
Charge for the year	-	**1,755,001**	-	**1,755,001**
Transferred to development properties (note 9)	-	**(575,767)**	-	**(575,767)**
At 31 December 2020	-	**2,095,460**	-	**2,095,460**
Net book value:				
At 31 December 2020	**293,209,066**	**35,989,086**	-	**329,198,152**
At 31 December 2019	167,355,829	35,488,708	7,593,282	210,437,819

During the year 2019, Parent Company received different lands, at their book values, from related parties for future appreciation, and/or development (note 30). A waiver letter was obtained from the related party for transferring the right in these lands to the Parent Company.

During the year 2019, Parent Company received land shares from shareholder for purchase of land for future development, located in Al Khobar, Kingdom of Saudi Arabia amounting to SR 36,971,000 as of December 31, 2019 (note 30). However, waiver letter was obtained from the shareholder for transferring the right in these land shares to the Parent Company during 2019, the Group has transferred the land deeds against these shares to title deeds during the year 2020.

Capital work in progress represents construction of Retal tower which was completed and transferred to property and equipment during the year.

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12 INVESTMENT PROPERTIES (Continued)

As at 31 December 2020 and 2019, investment properties represent housing units held for the purpose of generating rental income. Investment properties include investment in land held for future appreciation, and/or development with value of SR 39.8 million (2019: SR 36.4 million).

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001"). As at 31 December 2020, the valuation of the above investment properties amounted to SR 377,667,385 (2019: SR 209,335,028).

Part of the lands in the amount of SR 22.5 million are mortgaged against a term loan from a local commercial bank (note 18-c).

13 INTANGIBLE ASSETS

	Goodwill	*Software and ERP systems*	*Total*
	SR	*SR*	*SR*
Cost:			
At 1 January 2019	3,088,189	1,292,305	4,380,494
Additions	-	59,800	59,800
At 31 December 2019	3,088,189	1,352,105	4,440,294
Asset disposal	-	(327,245)	(327,245)
At 31 December 2020	**3,088,189**	**1,024,860**	**4,113,049**
Accumulated amortization:			
At 1 January 2019	-	566,664	566,664
Charge for the year	-	146,843	146,843
At 31 December 2019	-	713,507	713,507
Charge for the year	-	**227,521**	**227,521**
Asset disposal	-	**(327,245)**	**(327,245)**
At 31 December 2020	-	**613,783**	**613,783**
Net book values:			
At 31 December 2020	**3,088,189**	**411,077**	**3,499,266**
At 31 December 2019	3,088,189	638,598	3,726,787
Useful life		**4 years**	

The Group performed its annual goodwill impairment test to one of its subsidiaries at 31 December 2020 and 2019. The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020 and 2019, the market capitalization of the subsidiaries were above the book value of its equity, indicating no impairment of goodwill.

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14 INVESTMENT IN ASSOCIATE

The Group's investment in associates comprise the following:

	Note	2020	2019
		SR	*SR*
Ewan Al Mali Real Estate Fund	A	-	40,462,789
Saudi Tharwa Company	B	**121,249,913**	-
Nesaj Residential Compound Real Estate Company	C	-	72,357,490
Total investment in associates		**121,249,913**	112,820,279

	Ownership	
	2020	2019
	%	%
Ewan Al Maali Real Estate Fund	-	**54.17**
Saudi Tharwa Company	**39.50**	-
Nesaj Residential Compound Real Estate Company	-	**45.00**

The movement of investment in associates during the years ended 31 December is as follows:

	2020	2019
	SR	*SR*
1 January	**112,820,279**	83,843,443
Transfer from Shareholder (note 30)	**107,440,000**	72,357,490
Dividend	**(1,580,000)**	-
Share of OCI	**19,893**	-
Transfer to Shareholder (note 30)	**(72,357,490)**	-
Disposals / Units redemption	**(37,919,790)**	(40,317,050)
Share of results, net	**12,827,021**	(3,063,604)
31 December	**121,249,913**	112,820,279

A. Ewan Al Maali Real Estate Fund

As at 31 December 2019, the Group's investment in Ewan Al Maali Real Estate Fund represents the Group's 54.17% investment share in Ewan Al-Maali Real Estate Fund. The Group owns 412,900 units out of 762,500 units at par value of SR 100 for each.

During the year, the Group's entire investment has been redeemed in Ewan Al Maali Real Estate Fund.

The following table summarizes the financial information of Ewan Al Maali Real Estate Fund as included in its financial statements as of 31 December 2019, in addition to the Group's interest in this investment.

	2019
	SR
Total assets	76,935,508
Total liabilities	(2,233,565)
Equity	74,701,943
Group's share in equity	40,462,789

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14 INVESTMENT IN ASSOCIATES (Continued)

A. Ewan Al Maali Real Estate Fund (Continued)

Summarized statement of profit or loss and other comprehensive income of Ewan Al Maali Real Estate Fund for the year ended 31 December 2019:

	2019
	SR
Revenue	71,443,748
Profit for the year	1,065,045
Total comprehensive income	1,065,045
Group's share of results	576,935

The movement of the Group's interest in Ewan Al Maali Real Estate Fund is as follows:

	2020	*2019*
	SR	*SR*
1 January	**40,462,789**	39,885,854
Share of results	**(2,542,999)**	576,935
Disposal	**(37,919,790)**	-
At 31 December	**-**	40,462,789

B. Saudi Tharwa Company

Saudi Tharwa Company ("Tharwa") is a limited liability company registered in AL Khobar city, Kingdom of Saudi Arabia under commercial registration number 2051057188 dated 21 Jumada' II 1435H (corresponding to 21 April 2014). Tharwa was previously registered in Dammam city under commercial registration number 2050057685 dated 22 Dhu Al-Hijjah 1428H (corresponding to 1 January 2008). During 2014, the partners of Tharwa resolved to change its head office location from Dammam to AL Khobar. Accordingly, the previous commercial registration was canceled on 20 Jumada' II 1435H (corresponding to 20 April 2014).

As at 31 December 2020, the Group's investment in Saudi Tharwa Company represents 39.5%. The Group owns 15,800 shares out of 40,000 shares at par value of SR 1000 for each.

This investment has been transferred from Al Fozan Holding Company ('Shareholder') effective 1 January 2020 for which all agreements and contracts impact was transferred at that date. However, the legal formalities have been completed during the year 2020.

The results of Tharwa Company have been included in the consolidated financial statements effective January 1, 2020. During the year, Tharwa Company distributed dividends, of which the group's share was SR 1,580,000.

The following table summarizes the financial information of Tharwa Saudi Company as included in its financial statements, in addition to the Group's interest in this investment.

	2020
	SR
Total assets	**566,076,517**
Total liabilities	**(467,775,742)**
Goodwill	**82,421,107**
Equity	**98,300,775**
Group's share in equity	**121,249,913**

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14 INVESTMENT IN ASSOCIATES (Continued)

B. Saudi Tharwa Company (Continued)

Summarized statement of profit or loss and other comprehensive income of Saudi Tharwa Company for the year ended 31 December 2020:

	2020
	SR
Revenue	39,723,563
Profit for the year	38,911,445
Total comprehensive profit	38,961,806
Group's share of results	15,389,913
Group's share of other comprehensive income	19,893

The movement of the Group's interest in Saudi Tharwa Company is as follows:

	2020
	SR
1 January	-
Transferred from Shareholder (note 30)	107,440,000
Dividend	(1,580,000)
Share of results	15,370,020
Share of OCI	19,893
31 December	121,249,913

C. Nesaj Residential Compound Real Estate Company

Nesaj Residential Compound Real Estate Company is a Saudi limited liability company registered on 21 Jumada II, 1435H (April 21, 2014) in Al-Khobar, Kingdom of Saudi Arabia, under commercial registration number 2051057194. The authorized, issued and paid up share capital of the Company is SR 165 million divided into 1,650,000 shares of SR 100 each as at December 31, 2019.

As at 31 December 2019, the Group's investment in Nesaj Residential Compound represents 45%. The Group owns 745,000 shares out of 1,650,000 shares at par value of SR 100 for each.

This investment has been transferred from Al Fozan Holding Company ('Share holder') during the year 2019 for which all the legal requirement were completed during the year 2019 (note 30). However, it was agreed that the transfer effective date is 31 December 2019.

During the year, the Group transferred the investment in Nesaj Residential Compound Real Estate Company to Al Fozan Holding Company effective 1 January 2020.

The following table summarizes the financial information of Nesaj Residential Compound Real Estate Company as included in its financial statements, in addition to the Group's interest in this investment.

	2019
	SR
Total assets	688,692,790
Total liabilities	(527,898,367)
Equity	160,794,423
Group's share in equity	72,357,490

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14 INVESTMENT IN ASSOCIATES (Continued)

C. Nesaj Residential Compound Real Estate Company (Continued)

Summarized statement of profit or loss and other comprehensive income of Nesaj Residential Compound Real Estate Company for the year ended 31 December 2019:

	2019
	SR
Revenue	14,855,830
Loss for the year	(36,994,634)
Total comprehensive loss	(37,030,570)

This investment has been transferred to the Group starting from 31 December 2019, and therefore there is no share of the results of this Company during the year 2019.

The Group's share in Nesaj Residential Compound Real Estate Company has been transferred to a related party effective 1 January 2020 according to what was agreed upon, hence, there is no share in result for this Company during the year 2020.

The movement of the Group's interest in Nesaj Residential Compound Real Estate Company is as follows:

	2020	*2019*
	SR	*SR*
1 January	**72,357,490**	-
Transferred from Shareholder (note 30)	-	72,357,490
Transferred to Shareholder (note 30)	**(72,357,490)**	-
31 December	**-**	72,357,490

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15 ACCOUNTS PAYABLE

	2020	2019
	SR	*SR*
Accounts payable	**121,752,375**	32,070,076
Retention payable	**13,748,228**	8,141,593
Accounts payable to related parties (note 30)	**123,959,734**	98,756,661
	259,460,337	138,968,330

Accounts payable are classified into current and non-current payable as follows:

	2020	2019
	SR	*SR*
Current payables	**259,460,337**	135,001,643
Non-current payables	**-**	3,966,687
	259,460,337	138,968,330

The non-current portion of accounts payable represents long-term retention balances that management estimates it will pay after twelve months from the date of the consolidated statement of financial position.

16 ACCRUED EXPENSES AND OTHER PAYABLES

	2020	2019
	SR	*SR*
Advances from customers	**13,478,166**	2,577,928
Employees' accruals	**6,644,671**	1,661,511
Unearned revenue	**2,608,047**	95,399
Others	**3,289,883**	3,193,202
	26,020,767	7,528,040

17 REFUNDABLE INCENTIVES

During the year 2018, the Group signed an agreement for the development, marketing and construction of Nesaj Town Project (the "Project") with Ministry of Housing (MOH) to build 674 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH's homeownership program. Refundable MOH Incentive represents funds received from MOH to support the Group in financing the project. The incentive amount was deposited in an escrow bank account where withdrawals were restricted to project related expenditure. However, last year the Group has utilized all the balance in escrow account for project related expenses (note 6). Upon completing the construction work during the year 2020. MOH started the withdrawl of the incentive balance from the sale proceeds deposited in the escrow bank account which is amounted to SR 35 million during the year 2020, remaining balance is expected to be settled in 2021. Further, the MOH is committed to buy the remaining unsold residential units by the time of completing the construction. Settlement related to this commitment will be through offsetting the refundable incentive balance. During 2020, the project has been totally sold, and the incentives will be paid to the MOH in total.

18 LOANS

	2020	*2019*
	SR	*SR*
Short-term loan (A)	**50,000,000**	-
Term-loan (B)	**97,000,000**	-
Term-loan (C)	**51,400,000**	-
	198,400,000	-

	2020	*2019*
	SR	*SR*
Term-loan (B)	**97,000,000**	-
Term-loan (C)	**51,400,000**	-
Less term loans - current portion	**(83,733,333)**	-
Term loans - non-current portion	**64,666,667**	-

The repayment schedule for term loans as December 31, is as follows:

	2020	*2019*
	SR	*SR*
Within one year	**133,733,333**	-
More than one years	**64,666,667**	-
	198,400,000	-

During the year the Group engaged into the following term loan transactions:

A. The Group obtained short-term loan facility from a local commercial bank of SR 50 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin of 1.5%. The loans are repayable in one installment on 6 September 2021. The loan is guaranteed by shareholders guarantee.

B. The Group obtained term loan facility from a local commercial bank of SR 97 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin of 1.65%. The loan is repayable in six equal quarterly installments commencing from 31 August 2021. The loan is guaranteed by pledge of lands deeds amounted to SR 57.3 million (note 9) and shareholders guarantee.

C. The Group obtained term loan facility from a local commercial bank of SR 141 million, of which SR 51.4 million has been utilized up to 31 December 2020, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin of 1.50%. The loan is repayable to be paid out from Nesaj Town Riyadh South Marcia project collections over three years max. The loan is guaranteed by pledge of land deeds only amounted to SR 55 million (note 10, 12).

19 ZAKAT PAYABLE

Basis for Zakat:
The group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted net profit. The significant components of the Zakat base according to the zakat and income regulations principally comprise shareholders' equity, provisions at the beginning of the year and adjusted net profit minus the net book value of non-current assets. Starting from the year 2020, zakat was calculated according to the Group's zakat base, and the Zakat return is filed up to GAZT at the level of the Parent Company, Retal Urban Development Company. Noting that, from the year 2016 to 2019, Zakat return was filed up with GAZT at the level of Al Fozan Holding Company (shareholder) as part of the consolidated return.

Wujha United Real Estate Company (a wholly owned subsidiary) submit its zakat return independently.

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19 ZAKAT PAYABLE (Continued)

The movement in the zakat payable is as follows:

	2020	2019
	SR	*SR*
1 January	**5,894,975**	12,119,977
Charge for the year	**4,710,501**	4,630,457
Transferred to a related party (note 30)	**(4,630,458)**	(10,855,459)
31 December	**5,975,018**	5,894,975

Status of certificates and assessments:
The Parent Company has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. The Parent Company received final assessment from GAZT for the year 2018. During the susbequent period, the Company obtained the final receipt for the year 2015. Zakat assessment for the period from inception until the year 2014 and for the years 2016 until the year 2019 are still under review by the GAZT.

Nesaj has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. Zakat assessment for the years from inception to 31 Decemeber 2019 are still under review by GAZT.

BCC has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. The Company received final assessments from GAZT until the year 2010 and for the year 2018. The assessments for the years from 2011 to 2017 and for the year 2019 are still under review by GAZT.

Tadbier has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2019 is still under review by the GAZT.

Wejha United Real Estate Company did not book any zakat provision for the period ending 31 December 2020, as it has not completed 12 months since its establishment.

20 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2020	2019
	SR	*SR*
1 January	**7,794,053**	6,660,288
Expense charged to profit or loss	**1,905,143**	1,654,619
Actuarial remeasurement charged to OCI	**1,034,280**	569,666
Payments	**(1,304,336)**	(1,090,520)
Net transferred from a related party (note 30)	**52,353**	-
31 December	**9,481,493**	7,794,053

The expense charged to profit or loss comprise of:

	2020	2019
	SR	*SR*
Current service cost	**1,670,968**	1,363,965
Interest cost	**234,175**	290,654
Cost recognized in profit or loss	**1,905,143**	1,654,619

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20 EMPLOYEE TERMINATION BENEFITS (Continued)

Significant actuarial assumptions

	As at 31 December	
	2020	2019
Discount factor used	**1.65%**	2.85%
Salary increase rate	**1.65%**	2.85%
Mortality rate	**SA 16 - 75%**	SA 16 - 75%
Rates of employee turnover	**Heavy**	Heavy

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2020		31 December 2019	
	%	**SR**	%	SR
Discount rate				
Increase	**+ 0.5%**	**9,118,464**	+ 0.5%	7,504,351
Decrease	**- 0.5%**	**9,871,295**	- 0.5%	8,104,487
Salary growth rate				
Increase	**+ 0.5%**	**9,845,135**	+ 0.5%	8,047,738
Decrease	**- 0.5%**	**9,139,236**	- 0.5%	7,554,459

21 CAPITAL

During the year 2019, the shareholders of the Company resolved to increase the share capital of the Parent Company by SR 240 million by transferring all the contribution from shareholders amounting to SR 82,133,810 (note 23) to share capital and transferring an amount of SR 157,866,190 as additional capital from Al Fozan Holding Company ('Shareholder') (note 30). The legal formalities related to the increase in share capital have been completed during the year 2019. The new share capital of the Company became SR 250 million as of 31 December 2019 divided into 25 million shares of SR 10 per share.

During the year 2019, the shareholders of the company decided to increase the Company's capital by an amount of SR 240 million by transferring the entire balance of the contributions from the shareholders amounting to SR 82 million, and transferring an amount of SR 158 million through Al-Fawzan Holding Company ("shareholder").

During the year 2020, the shareholders of the Company resolved, through the decision of the extraordinary general assembly on December 24, 2020, to increase the share capital of the Company from SR 250,000,000 to SR 375,000,000 through contribution from shareholders divided into 37.5 million shares of SR 10 per share. The legal formalities for issuing the Company's Bylaw were completed in the subsequent period, (Note 23).

The shareholders of the Company and their respective shareholding as of December 31 are as follows:

	Share Capital		**Ownership %**	
Name	**2020**	2019	**2020**	2019
	SR	SR		
Al Fozan Holding Company	**356,250,000**	247,500,000	**95%**	99%
Al Fozan Investment Company	-	2,500,000	-	1%
Mr. Abdullah Faisal Abdul Aziz Al-Braikan	**18,750,000**	-	**5%**	-
	375,000,000	250,000,000	**100%**	100%

22 STATUTORY RESERVE

In accordance with Regulations for Companies and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net income and the Comapny may stop creating this reserve when it reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

23 CONTRIBUTION FROM A SHAREHOLDER

Contributions from a shareholder represent amounts, investments and real estate provided to the Company to increase the capital. These contributions are not subject to interest, have no specific repayment schedule, and do not bear any financial interest, and there is no current financial obligation on the Group to pay this balance to the shareholder.

During the year 2019, the shareholders of the company decided to increase the Company's capital by an amount of SR 240 million by transferring the entire balance of the contributions from the shareholders amounting to SR 82 million, and transferring an amount of SR 158 million through Al-Fawzan Holding Company ("shareholder").

During the year 2020, a contribution was made from the shareholders in the amount of SR 125 million, including an amount of SR 107.4 million representing 15,800 shares or 39.5% of the capital of Saudi Tharwa Company (an associate company), and an amount of SR 17.6 million consisting of plots of land in Durrat Al-Nakheel Scheme No. 741 received from the shareholder to increase the capital.

On December 24, 2020, the extraordinary general assembly decided to increase the Company's capital with the total contribution balance of SR 125 million through the issuance of new shares for subscription by the shareholders registered in the Company's records, and accordingly, the entire balance was transferred to the company's capital account. The legal procedures for issuing the articles of association of the Company have been completed in the subsequent period.

24 REVENUE FROM CONTRACTS WITH CUSTOMERS

24.1 DISAGGREGATED REVENUE INFORMATION

Segments	**2020**	2019
	SR	*SR*
Type of goods or service:		
Revenue from sale of real estate units / projects	**146,270,379**	138,735,432
Construction contracts revenue	**404,982,820**	284,465,328
Facility management revenue	**28,744,253**	24,409,964
Rent contracts revenue	**5,833,590**	2,719,639
Other revenue	**1,619,604**	6,205,386
Total revenue from contracts with customers	**587,450,646**	456,535,749
Type of customer:		
Government and quasi-government customers	**75,352,821**	246,137,970
Corporate customers	**51,199,543**	67,736,852
Individual customers	**460,898,282**	142,660,927
Total revenue from contracts with customers	**587,450,646**	456,535,749
Credit terms:		
Cash sales	**152,746,075**	144,273,403
Credit sales	**434,704,571**	312,262,346
Total revenue from contracts with customers	**587,450,646**	456,535,749

24.2 CONTRACT BALANCES

	2020	2019
	SR	*SR*
Accounts receivable (note 8)	**84,087,239**	94,677,975
Contract assets (see note (a) below)	**203,751,210**	150,459,348
Contract liabilities (see note (b) below)	**24,690,054**	1,606,183

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to provide services as well as transaction price allocated to unsatisfied performance obligations.

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24 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

24.3 PERFORMANCE OBLIGATIONS

Revenue from sale of investment properties and real estate units:
Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received.

Construction contracts:
Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Payments terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

25 COST OF REVENUE

	2020	2019
	SR	*SR*
Cost of sale of real estate units / projects	**113,775,594**	128,847,745
Cost of construction contracts	**316,041,605**	217,901,421
Cost of facility management	**27,412,437**	22,770,210
Cost of rent contracts	**4,691,337**	4,582,287
Others	**1,221,411**	5,032,255
	463,142,384	379,133,918

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	SR	*SR*
Employees salaries and related benefits	**12,285,108**	12,220,039
Depreciation of right -of- use assets	**4,909,420**	4,661,758
Depreciation	**1,538,854**	592,156
Rent	**984,222**	1,529,644
Utilities	**986,056**	421,952
Hospitality	**222,618**	281,285
Professional fees	**623,814**	318,450
Business trips	**385,144**	422,026
Amortization	**159,448**	73,042
Corporate events	**355,628**	140,494
Fee and permits	**114,612**	35,109
IT charges	**564,501**	163,631
Maintenance and other benefits	**900,507**	218,531
Management fee	**300,000**	-
Office stationary	**221,616**	39,557
Others	**1,880,281**	2,097,782
	26,431,829	23,215,456

RETAL URBAN DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

27 SELLING AND MARKETING EXPENSES

	2020	2019
	SR	*SR*
Marketing and advertising	**1,266,771**	983,253
Maintenance and after sales expenses	**3,966,911**	2,202,133
Employees' salaries and related benefits	**1,053,546**	1,984,529
Rent	**300,416**	528,814
Depreciation	**68,267**	62,392
Amortization	**68,073**	68,772
Business trips	**17,036**	4,098
Corporate events	**266,534**	6,329
Fee and permits	**6,974**	1,426
Hospitality	**153,057**	228,550
IT Charges	**19,606**	29,210
Office stationary	**17,164**	25,521
Utilities	**57,957**	66,076
Others	**439,621**	125,745
	7,701,933	6,316,848

28 GAIN ON SALE OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Group has earned a gain of SR 374 thousand (2019: SR 22.5 million) from purchase and sale of shares in a listed entity in KSA market.

29 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION INCLUDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI

	2020	2019
	SR	*SR*
Included in cost of sales:		
Employee benefits	**52,524,416**	38,402,418
Depreciation of right of use assets	**2,974,256**	2,714,819
Depreciation and amortization	**2,713,207**	1,255,161
Included in general and administrative expenses:		
Employee benefits	**12,285,108**	12,220,039
Depreciation of right -of- use assets	**4,909,420**	4,661,758
Depreciation and amortization	**1,698,302**	665,198
Included in selling and marketing expenses:		
Employee benefits	**1,053,546**	1,984,529
Depreciation and amortization	**136,340**	131,164

30 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-group rates approved by Al Fozan group management.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

During the year, the Group transacted with the following related parties:

Name	Relationship
Al Fozan Holding Company	Shareholder
Mr. Abdullah Faisal Abdul Aziz Al-Braikan	Shareholder
Abdullatif and Mohammed Al Fozan Company	Ultimate parent company
Ajwad Holding Company	Affiliate
Al Fozan Askan Company	Affiliate
Al Maali Holding Company	Affiliate
Amjal Property Development Company	Affiliate
ARAC Engineering Consultants	Affiliate
Arnon Plastic Company	Affiliate
Bawan Metal Industries Company	Affiliate
Bina for Ready-mix Products Company	Affiliate
Ewan Al Maali Real Estate Fund	(Previously) associate
Ewan Al Qyrawan Real Estate Fund	(Previously) associate
Kayan International Real Estate Development Company	Affiliate
Al Fozan Autism Center	Affiliate
Tadbier Al Sharq Real Estate Company	Affiliate
United Hardware Company	Affiliate
Abdullatif Ali Al Fozan	Related party
Midad Chemical Factory	Affiliate
Nesaj Residential Compound Real Estate Company	Affiliate/ (previously) associate
United Homeware Company - (NICE)	Affiliate
Madar Building Materials Company	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate
United Electronics ("Extra")	Affiliate
Tharwa Saudi Company	Associate

The significant transactions and the related approximate amounts are as follows:

	2020	2019
	SR	*SR*
a) *Revenue (note 24)*		
Al Maali Holding Company	**4,499,930**	6,950,996
United Homeware Company - (NICE)	**3,208,333**	3,080,792
Nesaj Real Estate Resedintial Compound Company	**157,500**	2,874,819
Ajwad Holding Company	**2,064,717**	2,364,275
United Hardware Company	**138,040**	-
Al Fozan Holding Company	**2,892,224**	60,000
Abdullatif Ali Al Fozan	**1,365,000**	-

RETAL URBAN DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The significant transactions and the related approximate amounts are as follows (Continued):

	2020	2019
	SR	*SR*
b) *Purchases and service*		
Madar Building Materials Company	**36,560,162**	8,081,768
Madar Electrical Materials Company	**3,026,731**	5,576,358
Madar Hardware Company	**1,688,849**	542,497
Bina for Ready-mix Products Company	**3,786,210**	5,662,989
Bawan Metal Industries Company	**5,310,740**	4,000,344
ARAC Engineering Consultants	**3,992,345**	-
Tharwa Saudi Company	**11,353,712**	-
c) *Investment properties transferred from related parties (note 12)*		
Al Fozan Holding Company	**-**	79,296,255
d) *Investment in associate transferred through a contribution (note 14)*		
Al Fozan Holding Company	**107,440,000**	-
e) *Investment in associate transferred (to) / from related parties (note 14)*		
Al Fozan Holding Company	**(72,357,490)**	72,357,490
f) *Investment properties transferred through a contribution (note 12)*		
Al Fozan Holding Company	**17,560,000**	-
g) *Capital transferred from a shareholder (note 21)*		
Al Fozan Holding Company	**-**	157,866,190
h) *Finance charges*		
Al Fozan Holding Company	**954,269**	4,167,049
i) *Zakat provision transferred to a related party (note 19)*		
Al Fozan Holding Company	**4,630,458**	10,855,459
j) End of service indemnity transferred from a related party (note 20)		
Al Fozan Holding Company	**52,353**	-
k) *Payments on behalf of related parties*		
Tadbier Al Sharq Real Estate Company	**668,909**	-
Al Fozan Autism Center	**26,285**	-
ARAC Engineering Consultants	**-**	2,104,823

As at 31 December due from related parties includes the following:

	2020	2019
	SR	*SR*
Al Maali Holding Company	**4,751,999**	2,408,697
Tadbeir AlSharq for Real Estate	**668,909**	-
United Homeware Company - (NICE)	**589,809**	-
Ajwad Holding Company	**377,298**	-
United Electronics ("Extra")	**215,310**	-
Nesaj Residential Compound Real Estate Company	**148,000**	3,695,197
Al Fozan Autism Center	**26,285**	-
ARAC Engineering Consultants	**-**	2,104,823
Ewan Al Maali Real Estate Fund	**-**	2,435,347
United Hardware Company	**-**	288,200
Others	**1,368,630**	-
	8,146,240	10,932,264

RETAL URBAN DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

As of 31 December 2020 and 2019, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule.

As at 31 December due to related parties includes the following:

	2020	2019
	SR	*SR*
Al Fozan Holding Company	**111,915,754**	88,724,538
United Homeware Company - (NICE)	**-**	2,750,000
ARAC Engineering Consultants	**3,992,345**	-
Madar Building Materials Company	**654,198**	1,716,330
Bina for Ready-mix Products Company	**2,415,149**	1,631,949
Madar Electrical Materials Company	**2,109,850**	1,586,193
Bawan Metal Industries Company	**1,615,751**	1,227,320
Ajwad Holding Company	**217,741**	575,839
Madar Hardware Company	**901,279**	406,825
Arnon Plastic Company	**137,667**	137,667
	123,959,734	98,756,661

As of December 31, 2020 and 2019 the Group believes that due to relate parties' balances are repayable upon request. As a result, these balances are classified as current liabilities.

The balances of the related party other than Al Fozan Holding Company are free of interest.

Some of the Parent Company's operational activities are funded through the cash transferred from Al Fozan Holding Company ("Shareholder"). This account carries finance charges at commercial rates and the terms were approved by management.

Compensation of key management personnel of the Company

	2020	2019
	SR	*SR*
Board of Directors compensation	**300,000**	-
Short term employee benefits	**10,149,774**	5,883,575

31 CONTINGENCIES AND COMMITMENTS

Guarantees:
The Group is contingently liable for bank guarantees issued in the normal course of business amounting SR 110 million as at 31 December 2020 (2019: SR 75 million).

CAPITAL COMMITMENTS
At 31 December, the Group had the following capital commitments:

	2020	2019
	SR	*SR*
Capital commitments for construction contracts	**924,610,272**	106,023,601

As of 31 December 2020, the Group has a contractual construction commitment of SR 924,610,272 against housing projects for local customers. The collection from these housing projects (which have been financed through facilities agreement signed between the bank, Company and local customers) will be used to finance these commitments payment of the housing projects.

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

32.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2020						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Cash on hand and at banks	-	64,980,903	64,980,903	-	-	-	-
Accounts receivable	-	84,087,239	84,087,239	-	-	-	-
Contract assets	-	203,751,210	203,751,210	-	-	-	-
	-	352,819,352	352,819,352	-	-	-	-
Financial liabilities							
Refundable incentives	-	115,018,686	115,018,686	-	-	-	-
Accounts payable	-	259,460,337	259,460,337	-	-	-	-
Accrued expenses and other payables	-	26,020,767	26,020,767	-	-	-	-
Short-term loan	-	50,000,000	50,000,000	-	-	-	-
Term-loans	-	148,400,000	148,400,000	-	-	-	-
Lease liabilities	-	11,766,682	11,766,682	-	-	-	-
	-	610,666,472	610,666,472	-	-	-	-

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Fair value measurements of financial instruments (Continued)

	31 December 2019						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Cash on hand and at banks	-	9,637,394	9,637,394	-	-	-	-
Accounts receivable	-	94,677,975	94,677,975	-	-	-	-
Contract assets	-	150,459,348	150,459,348	-	-	-	-
	-	254,774,717	254,774,717	-	-	-	-
Financial liabilities							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	138,968,330	138,968,330	-	-	-	-
Accrued expenses and other payables	-	7,528,040	7,528,040	-	-	-	-
Lease liabilities	-	17,779,987	17,779,987	-	-	-	-
	-	314,295,043	314,295,043	-	-	-	-

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

32.2 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk, currency risk, and interest rate risk.

Credit Risk:
Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its contract assets, accounts receivables, and cash on hand and at banks as follows.

	2020	2019
	SR	*SR*
Contract assets	**203,751,210**	150,459,348
Accounts receivable	**84,087,239**	94,677,975
Cash on hand and at banks	**64,980,903**	9,637,394
	352,819,352	254,774,717

The carrying amount of financial assets represents the maximum credit exposure.

The Group seeks to limit its credit risk with respect to contract assets and accounts receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

As of 31 Decemeber 2020, the Group's accounts receivable - third parties are concentrated in 5 major counter parties in an amount of SR 67,098,234, which is equivalent to 81% of the total accounts receivable. As of 31 Decemeber 2019, the Groups's accounts receivable - third parties are concentrated in 3 major counter parties in an amount of SR 55,316,987, which is equivalent to 65% of the total accounts receivable.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good. Moreover, all the related parties balances are guaranteed by Al Fozan Holding Company (shareholder).

Liquidity Risk:
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2020			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial Liabilities				
Refundable incentives	115,018,686	115,018,686	-	-
Accounts payable	259,460,337	259,460,337	-	-
Accrued expenses and other payables	26,020,767	26,020,767	-	-
Lease liabilities	11,766,682	8,693,371	3,073,311	-
Short-term loan	50,000,000	50,000,000	-	-
Term-loans	148,400,000	83,733,333	64,666,667	-
Contract liabilities	24,690,054	24,690,054	-	-
	635,356,526	567,616,548	67,739,978	-

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

32.2 Risk Management of Financial Instruments (Continued)

Liquidity Risk (Continued):

	31 December 2019			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities				
Refundable incentives	150,018,686	150,018,686	-	-
Accounts payable	138,968,330	135,001,643	3,966,687	-
Lease liabilities	17,779,987	7,508,926	10,271,061	-
Accrued expenses and other payables	7,528,040	7,528,040	-	-
Contract liabilities	1,606,183	1,606,183	-	-
	315,901,226	301,663,478	14,237,748	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Group's management believes that their exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's consolidated financial position and cash flows. The Group's exposure to commission rate risk is mainly on medium term loans, and due to related parties . The Group pays floating interest rates on its debts.

Management monitors the changes in interest rates and manages its impact on the consolidated financial statements accordingly.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

33.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Revised 'Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of material.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

33.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities.	1-Jan-23
IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1-Jan-23
Amendments IFRS 3 *Business Combination* updating a reference to the Conceptual Framework	1-Jan-22
Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1-Jan-22
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous	1-Jan-22
Amendments to IFRS 4 *Insurance Contracts,* IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases* regarding replacement issues in the context of the IBOR reform	1-Jan-21
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1-Jan-22

Management expects to apply these new standards and interpretations in the Group's consolidated financial statements for the initial application period, and the adoption of these new standards, interpretations and amendments may not have a material impact on the Group's consolidated financial statements in the initial application period.

34 DIVIDENDS

During the year ended on 31 December, 2020 shareholders distributed dividends in the total amount of SR 50 million (2019: nill).

35 EARNINGS PER SHARE FOR THE YEAR (BASIC AND DILUTED)

	2020	2019
	SR	*SR*
Profit for the year	98,633,505	59,692,139
	Share	Share
Weighted average number of shares	**25,273,973**	1,723,288
	SR / Share	SR / Share
Earnings per share for the year (basic and diluted)	**3.90**	34.64

36 COMPARATIVE FIGURES

Certain figures for the year 2019 have been reclassified to conform with the presentation of the current year.

37 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by Board of Directors on 13 Ramadan 1442H corresponding to 25 April 2021.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021
AND INDEPENDENT AUDITOR'S REVIEW REPORT

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF RETAL URBAN DEVELOPMENT COMPANY

(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Retal Urban Development Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2021 and the related condensed interim consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month period then ended, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard No. 34 – "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*' as endorsed in the Kingdom of Saudi Arabia. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
License No. 405

Al-Khobar 2 Jumada II 1443H
5 January 2022

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	*As at 30 September 2021 (Unaudited)*	*As at 31 December 2020 (Audited)*
		SR	*SR*
ASSETS			
Current assets			
Cash on hand and at banks	5	**336,277,235**	64,980,903
Accounts receivable	6	**187,511,115**	81,217,784
Contract assets	17	**17,401,918**	203,751,210
Investments at fair value through profit or loss		**1,969,342**	-
Prepayments and other receivables	7	**163,173,259**	95,963,416
Inventories		**16,622,154**	22,253,953
Properties for development and sale, current	8	**226,780,024**	139,487,750
		949,735,047	607,655,016
Non-current assets			
Properties for development and sale, non-current	8	**18,296,400**	-
Accounts receivable - non-current	6	**1,771,990**	2,869,455
Property and equipment		**94,054,518**	90,211,857
Right-of-use assets		**8,840,831**	14,915,574
Investment properties	9	**230,706,560**	329,198,152
Intangible assets		**3,369,478**	3,499,266
Investment in associates	10	**272,469,762**	121,249,913
		629,509,539	561,944,217
TOTAL ASSETS		**1,579,244,586**	1,169,599,233
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and retention	11	**446,124,010**	259,460,337
Accrued expenses and other payables	12	**23,428,554**	26,020,767
Lease liabilities		**6,725,959**	8,693,371
Contract liabilities	17	**86,094,201**	24,690,054
Refundable incentives	13	**-**	115,018,686
Short-term loan	14	**50,000,000**	50,000,000
Term-loans - current portion	14	**281,548,283**	83,733,333
Zakat payable		**7,921,138**	5,975,018
		901,842,145	573,591,566
Non-current liabilities			
Lease liabilities		**175,068**	3,073,311
Term loans - non-current	14	**102,930,228**	64,666,667
Employee termination benefits		**10,448,338**	9,481,493
		113,553,634	77,221,471
Total liabilities		**1,015,395,779**	650,813,037
Equity			
Share capital	15	**400,000,000**	375,000,000
Statutory reserve		**18,832,565**	18,832,565
Actuarial reserve		**(2,508,550)**	(2,508,550)
Retained earnings		**147,362,497**	127,462,181
Equity attributable to the shareholders of the Company		**563,686,512**	518,786,196
Non-controlling interests	1	**162,295**	-
Total equity		**563,848,807**	518,786,196
TOTAL LIABIILITIES AND EQUITY		**1,579,244,586**	1,169,599,233

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2021 (Unaudited)	*30 September 2020 (Unaudited)*	***30 September 2021 (Unaudited)***	*30 September 2020 (Unaudited)*
		SR	*SR*	***SR***	*SR*
Revenue from contracts with customers	17	**238,009,296**	133,807,008	**613,347,312**	321,249,871
Cost of revenue	18	**(183,881,933)**	(110,803,824)	**(468,240,554)**	(263,833,297)
Gross profit		**54,127,363**	23,003,184	**145,106,758**	57,416,574
General and administrative expenses		**(13,405,242)**	(5,418,536)	**(28,844,983)**	(19,294,408)
Selling and marketing expenses		**(4,461,684)**	(2,914,041)	**(11,331,389)**	(7,624,703)
Operating profit		**36,260,437**	14,670,607	**104,930,386**	30,497,463
Finance costs		**(991,749)**	(867,795)	**(1,873,459)**	(1,749,321)
Share in results of associates	10	**(1,151,837)**	2,585,929	**3,814,714**	15,127,109
Other income, net		**2,567,123**	608,413	**3,916,803**	1,761,823
Profit before zakat		**36,683,974**	16,997,154	**110,788,444**	45,637,074
Zakat		**(1,560,000)**	(900,000)	**(5,936,965)**	(2,700,000)
Income from continuing operations		**35,123,974**	16,097,154	**104,851,479**	42,937,074
Discontinued operations:					
Gain on disposal of a subsidiary, net of zakat	1	**-**	-	**14,961,132**	-
Profit for the period		**35,123,974**	16,097,154	**119,812,611**	42,937,074
Attributable to:					
Shareholders of the Company		**35,123,974**	16,097,154	**119,900,316**	42,937,074
Non-controlling interest	1	**-**	-	**(87,705)**	-
		35,123,974	16,097,154	**119,812,611**	42,937,074
Other comprehensive income (OCI)					
Other comprehensive income not to be reclassified to profit or loss in subsequent years		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**35,123,974**	16,097,154	**119,812,611**	42,937,074
Attributable to:					
Shareholders of the Company		**35,123,974**	16,097,154	**119,900,316**	42,937,074
Non-controlling interests	1	**-**	-	**(87,705)**	-
		35,123,974	16,097,154	**119,812,611**	42,937,074
Earnings per Share for the Period (basic and diluted)	20	**0.88**	0.64	**3.01**	1.72

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

	Equity attributable to the shareholders of the Company							
	Share capital	*Statutory reserve*	*Contribution from shareholders*	*Actuarial reserve*	*Retained earnings*	*Total*	*Non-controlling interests ("NCI")*	*Total*
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
For the nine-month period ended 30 September 2021:								
As at 1 January 2021 (Audited)	**375,000,000**	**18,832,565**	**-**	**(2,508,550)**	**127,462,181**	**518,786,196**	**-**	**518,786,196**
Profit for the period	**-**	**-**	**-**	**-**	**119,900,316**	**119,900,316**	**(87,705)**	**119,812,611**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**119,900,316**	**119,900,316**	**(87,705)**	**119,812,611**
Contributed by NCI (note 1)	**-**	**-**	**-**	**-**	**-**	**-**	**250,000**	**250,000**
Contribution from shareholders (note 16)	**-**	**-**	**5,000,000**	**-**	**-**	**5,000,000**	**-**	**5,000,000**
Increase in share capital (note 15)	**25,000,000**	**-**	**(5,000,000)**	**-**	**(20,000,000)**	**-**	**-**	**-**
Dividend (note 15)	**-**	**-**	**-**	**-**	**(80,000,000)**	**(80,000,000)**	**-**	**(80,000,000)**
As at 30 September 2021 (Unaudited)	**400,000,000**	**18,832,565**	**-**	**(2,508,550)**	**147,362,497**	**563,686,512**	**162,295**	**563,848,807**
For the nine-month period ended 30 September 2020:								
As at 1 January 2020 (Audited)	250,000,000	8,969,214	-	(1,494,163)	88,692,027	346,167,078	-	346,167,078
Profit for the period	-	-	-	-	42,937,074	42,937,074	-	42,937,074
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	42,937,074	42,937,074	-	42,937,074
Dividend (note 15)	-	-	-	-	(50,000,000)	(50,000,000)	-	(50,000,000)
As at 30 September 2020 (Unaudited)	250,000,000	8,969,214	-	(1,494,163)	81,629,101	339,104,152	-	339,104,152

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	For the nine-month period ended 30 September 2021 (Unaudited)	*For the nine-month period ended 30 September 2020 (Unaudited)*
	SR	*SR*
OPERATING ACTIVITIES		
Profit before zakat and after discontinued operations	**125,749,576**	45,637,074
Adjustments for non-cash items:		
Depreciation and amortization	**4,481,715**	2,468,522
Depreciation on right of use assets	**6,074,743**	4,204,617
Gain on sale of disposal of a subsidiary, net of zakat	**(14,961,132)**	-
Employee benefits obligations	**2,214,094**	1,483,159
Share in results of associates	**(3,814,714)**	(15,127,109)
Gain on sale of instruments at fair value through profit or loss	**(439,165)**	(374,422)
Finance charges	**1,873,459**	1,749,321
	121,178,576	40,041,162
Changes in working capital:		
Development properties	**(29,663,365)**	6,385,932
Inventories	**5,631,799**	(24,699,713)
Contract assets	**186,349,292**	2,343,657
Accounts receivable (current and non-current)	**(105,195,866)**	(2,010,639)
Prepayments and other receivables	**(63,900,060)**	(47,856,077)
Accounts payable and retention	**186,663,673**	170,255,978
Accrued expenses and other payables	**(2,592,213)**	33,528,019
Contract liabilities	**61,401,365**	(1,606,183)
Cash generated from operations	**359,873,201**	176,382,136
Employee termination benefits paid	**(1,247,249)**	(1,071,034)
Zakat paid	**(3,990,845)**	-
Net cash flows from operating activities	**354,635,107**	175,311,102
INVESTING ACTIVITIES		
Addition to investment properties	**(114,519,254)**	(18,523,612)
Addition to property and equipment	**(6,690,055)**	(22,582,559)
Proceeds from disposal of a subsidiary	**152,250,000**	-
Purchase of investments at fair value through profit or loss	**(2,898,855)**	-
Proceeds from sale of investments at fair value through profit or loss	**1,368,678**	374,422
Disposal / redemption of investment in an associate	**-**	37,919,790
Addition to equity accounted investments	**(154,000,000)**	-
Dividends received from equity accounted investments	**1,580,000**	-
Net cash used in investing activities	**(122,909,486)**	(2,811,959)
FINANCING ACTIVITIES		
Repayment of refundable incentives	**(115,018,686)**	-
Net change in borrowings	**236,078,511**	50,000,000
Lease payments	**(5,089,968)**	(1,672,490)
Contributed by NCI	**250,000**	-
Dividends paid	**(80,000,000)**	(50,000,000)
Finance cost paid	**(1,649,146)**	(1,749,321)
Proceeds from contribution from shareholders	**5,000,000**	-
Net cash flows from (used in) financing activities	**39,570,711**	(3,421,811)
Net change in cash and cash equivalents	**271,296,332**	169,077,332
Cash and cash equivalents at the beginning of the period	**9,975,407**	4,112,430
Less: change in restricted bank balance (note 5)	**(262,499,852)**	(39,644,316)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**18,771,887**	133,545,446

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	For the nine-month period ended 30 September 2021 (Unaudited)	*For the nine-month period ended 30 September 2020 (Unaudited)*
	SR	*SR*
NON-CASH TRANSACTIONS:		
Development properties transferred from investment properties net (note 8,9)	**75,925,309**	2,145,898
Unrealised gain from the Company's share in profit of associate (note 1,9,10)	**(5,014,865)**	-
Property and equipment transferred from development properties (note 8)	**225,128**	32,565,500
Investment in associates transferred through contribution from a shareholder (note 16)	**-**	107,440,000
Investment in associate transferred to related party, net (note 10,19)	**-**	72,357,490
Increase in share capital through transfer from retained earnings (note 15)	**20,000,000**	-
Finance cost charged by a related party (note 19)	**135,099**	1,598,160

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

1 GROUP INFORMATION

Retal Urban Development Company ("the Company") or ("the Parent Company") is a Closed Joint Stock Company (previously a Limited Liability Company) registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (corresponding to 4 February 2012). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

During the year 2020, the shareholders decided to convert the Company from a Limited Liability Company to a Closed Joint Stock Company. The Company obtained ministerial approval for the official announcement of the conversion on 9 Muharram 1442 H (corresponding to 28 August 2020).

The Parent Company is principally engaged in:

- Purchase and sale of land and real estate, divide them, and sale on map activities;
- General construction of residential buildings;
- General construction of non-residential building, including (schools, hospitals, hotels etc).

The Parent Company's By-laws includes the activity of acquisition of shares or shares in existing companies or merger with them.

The condensed interim consolidated financial statements include the assets, liabilities, and the results of the Company and the following branches:

Branch	Date	Location	Registration certificate
Retal Urban Development Company branch	21 Dhu al-Qi'dah 1441	Riyadh	1010642508
Retal Urban Development Company branch	18 Dhu'l Hijjah 1442	Khobar	2051236513

The Ultimate Parent Company is Abdullatif and Mohammed Al Fozan Company.

These condensed interim consolidated financial statements include the financial information of the Company and the following subsidiaries (collectively referred to as "the Group") that are directly and indirectly owned and prepared by the management.

	Effective ownership	
	30 September 2021	*31 December 2020*
	%	%
Tadbeir Company Limited ("Tadbeir")	**95**	100
Nesaj Urban Development Company ("Nesaj")	**100**	100
Building and Construction Company ("BCC")	**100**	100
Wejha United Real Estate Company ("Wejha")	**-**	100
Tadbeir Real Estate Company ("TRS")	**100**	-
Rimal Al Khobar Real Estate Company ("Rimal")	**50**	-
Itlalah Al Sharq Real Estate Company ("Itlalah")	**50**	-

Tadbeir

Tadbeir is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (corresponding to 4 November 2014). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

Tadbier is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

During the nine-month period ended 30 September 2021, the shareholders of Tadbeir resolved to increase Tadbeir's share capital from SR 0.5 million to SR 5 million through cash contribution, the legal formalities associated with the increase were completed during the period. As a result of this increase, a new shareholder was introduced and he contributed SR 250 thousand out of SR 4.5 million which has given him 5% ownership in Tadbeir.

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

1 GROUP INFORMATION (Continued)

Tadbeir (continued)

The shareholders of Tadbeir and their respective shareholding as of 30 September 2021 and 31 December 2020 are as follows:

	Share Capital		Ownership %	
Name	***30 September 2021***	*31 December 2020*	***30 September 2021***	*31 December 2020*
	SR	SR		
Retal Urban Development Company	**4,750,000**	500,000	**95%**	100%
Mr. Amer Al Khushail	**250,000**	-	**5%**	0%
	5,000,000	500,000	**100%**	100%

Nesaj

Nesaj is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (corresponding to 5 August 2012). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of Nesaj are:
-Buying lands and constructing buildings on them for sale or rental to third parties;
-Management, maintenance and development of real estate;
-Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
-General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC

BCC is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (corresponding to 25 September 1999). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building, repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

Wejha

Wejha is a Single Person Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051232830 issued in Khobar dated 1 Rabi` Al-Thani 1442H (corresponding to 16 November 2020). The registered address of Wejha is P.O. Box 34421, Rawabi, Khobar, Kingdom of Saudi Arabia.

The principle activities of Wejha company are general contracting of residential buildings.

In April 2021, the shareholders of the Company resolved to dispose 100% shareholding in Wejha United Real Estate. During the second quarter of 2021, the investment in Wejha has been transferred to Alpha Real Estate Development Fund 1, (Associate Company), which the Parent Company own 30% of it for the consideration of SR 156 million against gross assets amounting to SR 135.6 million.

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
ASSETS		
Investment properties	-	135,581,004
LIABILITIES AND EQUITY		
Liabilities		
Due to a related party	-	135,531,004
EQUITY		
Share capital	-	50,000

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

1 GROUP INFORMATION (Continued)

TRS

TRS is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051063497 issued in Khobar dated 10 Shawwal 1442H (corresponding to 22 May 2021). The registered address of TRS is P.O. Box 30730, King Faisal Road, Al Rawabi, Al Khobar 34421, Kingdom of Saudi Arabia.

TRS is principally engaged as a broker in sale of fixed and movable assets, purchase and sale of land and real estate and its division and off-plan sales activities, management and rental of owned or leased (residential) real estate, management and rental of owned or leased (non-residential), activities of brokers' agents (brokers' offices), real estate management activities for a commission, money management and preservation of the property.

Rimal

Rimal is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051236572 issued in Khobar dated 23 Dhu'l Hijjah 1442H (corresponding to 2 August 2021). The registered address of Rimal is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Rimal is principally engaged in general construction of residential buildings and public construction of non-residential buildings such as schools, hospitals, hotels, etc.

Rimal has not yet started its operations until 30 September 2021.

The shareholders of Rimal and their respective shareholding as of 30 September 2021 and 31 December 2020 are as follows:

	Share Capital		**Ownership %**	
Name	***30 September 2021***	*31 December 2020*	***30 September 2021***	*31 December 2020*
	SR	SR		
Retal Urban Development Company	**250,000**	-	**50%**	-
Aseel Company Arabian for Real Estate	**250,000**	-	**50%**	-
	500,000	-	**100%**	-

Itlalah

Itlalah is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051234026 issued in Khobar dated 18 Jumada Al Thani 1442H (corresponding to 31 January 2021). The registered address of Itlalah is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Itlalh is principally engaged in the activities of general construction of residential buildings, public construction of government buildings, real estate development of residential buildings with modern construction methods, management and rental of owned or leased (residential and non-residential) properties, management and leasing of self-storage stores, management and operation of hotel apartments and real estate management activities for a commission.

Itlalah has not yet started its operations until 30 September 2021.

The shareholders of Itlalah and their respective shareholding as of 30 September 2021 and 31 December 2020 are as follows:

	Share Capital		**Ownership %**	
Name	***30 September 2021***	*31 December 2020*	***30 September 2021***	*31 December 2020*
	SR	SR		
Retal Urban Development Company	**500,000**	-	**50%**	-
Thabat Al Omran for Real Estate Company	**500,000**	-	**50%**	-
	1,000,000	-	**100%**	-

2 BASIS OF PREPARATION

2.1 Basis of preparation

These condensed interim consolidated financial statements of the Group for the nine-month period ended 30 September 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

Moreover, the results of operations for the nine-month period ended 30 September 2021 do not necessarily provide an indication of the apportionment results of operations for the year ending December 31, 2021. No apportion occurred on the profit of the period ended 30 September 2021 for gain from discontinued operations which is performed at the end of the financial year.

These condensed interim consolidated financial statements have been prepared on historical cost basis, except for equity instruments and defined benefits obligations measured at fair value. The condensed interim consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

2.2 Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 September 2021 and 31 December 2020 as disclosed in note 1.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of consolidated other comprehensive income ("OCI") are attributed to the shareholders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020 (except below). The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Equity instruments designated at fair value through profit or loss

Gains and losses on these financial assets are recognised in profit or loss directly. Dividends are recognised as income in the condensed interim consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in profit or loss. Equity investments designated at fair value through profit or loss are not subject to impairment assessment.

Financial assets at fair value through profit or loss are carried in the condensed interim consolidated statement of financial position at fair value with net changes in fair value recognised in the condensed interim consolidated statement of profit or loss.

3.1 Application of new and revised IFRSs

New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities.	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	1 January 2023
IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 *Business Combination* updating a reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Judgements

Preparation of the accompanying condensed interim consolidated financial statements and the application of accounting policies require from the Group's management to estimates, assumptions and diligence some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect income, expenses, provisions, expected credit losses and changes in fair value within condensed interim consolidated statement of profit or loss and other comprehensive income and condensed interim consolidated statement of changes in equity. And in a specific way, it requires the Group's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The estimates used in the condensed interim consolidated financial statements are reasonable and consistent with the estimates used in preparing the consolidated financial statements for the year ended 31 December 2020.

Control assessment

The Group has entered into various investments. The Group determines whether or not to consolidate the investee entities, account for them using the equity method or designate them at fair value based on the Group assessment of whether it has control over these investments or not. In determining whether control or significant influence exists or not, management assesses whether the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing such power, indicators are analyzed in arriving to outcome of the control assessment made by Group, such as, among other factors, board representation, voting right and technical know-how.

4.2 Backdrop of the Covid-19 pandemic

The Group has reviewed the key sources of estimation uncertainties disclosed in the condensed interim consolidated financial statements against the backdrop of the Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the consolidated financial statements as of December 31, 2020. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

5 CASH ON HAND AND AT BANKS

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Cash on hand	**812,631**	127,217
Cash at banks	**335,464,604**	64,853,686
	336,277,235	64,980,903

As at 30 September 2021 and 31 December 2020, cash and cash equivalents was as following:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Cash on hand	**812,631**	127,217
Cash at banks	**335,464,604**	64,853,686
Minus: restricted bank balance	**(317,505,348)**	(55,005,496)
	18,771,887	9,975,407

As at 30 September 2021, cash at banks include bank balance of SR 317,505,348 (31 December 2020: SR 55,005,496) in local banks in restricted escrow accounts.

Cash at banks represent balances with local banks with a sound credit rating. Furthermore, these balances bear no interests. The carrying amount of these assets is approximately equal to their fair value.

6 ACCOUNTS RECEIVABLE

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Accounts receivable - third parties	**183,660,839**	75,940,999
Accounts receivable - related parties (note 19)	**5,622,266**	8,146,240
	189,283,105	84,087,239

Accounts receivable are non-interest bearing. Accounts receivable are generally on terms of 30 to 90 days while retentions receivable are generally due after one year.

Accounts receivables are classified into current and non-current receivables as follows:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Current receivables	**187,511,115**	81,217,784
Non-current receivables	**1,771,990**	2,869,455
	189,283,105	84,087,239

An aged analysis of accounts receivable is as follows:

		Past due but not impaired			
	Neither past due nor impaired	**< 180 days**	**181-365 days**	**366-730 days**	**Total**
	SR	***SR***	***SR***	***SR***	***SR***
30 September 2021 (Unaudited)	**145,763**	**174,888,112**	**9,594,508**	**4,654,722**	**189,283,105**
31 December 2020 (Audited)	61,866,217	12,091,861	6,160,634	3,968,527	84,087,239

6 ACCOUNTS RECEIVABLE (Continued)

The Group measures the allowance for accounts receivable at an amount equivalent to the expected lifetime credit loss. The expected credit losses from accounts receivable are estimated using a matrix based on the experience of defaulting on the previous debtor's repayment and an analysis of the debtor's current financial position, adjusted for debtors' factors and the general economic conditions of the sector in which they work and assessing both the current trend and expectations for conditions in the history of the consolidated financial statements. No expected credit loss has been recorded as there has not been a significant change in credit quality.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good.

7 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Value added tax ("VAT")	**98,368,474**	36,728,639
Advances to suppliers	**46,491,352**	39,956,523
Prepaid expenses	**8,531,598**	7,026,194
Employee receivables	**3,218,594**	8,397,682
Others	**6,563,241**	3,854,378
	163,173,259	95,963,416

Included in the value added tax, an amount of SR 87.8 million, represents VAT to be recovered from Real Estate Developers Portal as of 30 September 2021 (31 December 2020: SR 23.3 million).

8 PROPERTIES FOR DEVELOPMENT AND SALE

	Land*	***Building and development cost***	***Total***
	SR	***SR***	***SR***
At 1 January 2020	8,134,444	22,754,002	30,888,446
Additions	68,047,787	481,501,302	549,549,089
Transferred from investment properties (note 9)	1,443,893	3,801,837	5,245,730
Cost of units / projects sold	(35,294,929)	(410,675,458)	(445,970,387)
Transferred to property and equipment	-	(225,128)	(225,128)
At 31 December 2020 (Audited)	42,331,195	97,156,555	139,487,750
Additions	**78,743,315**	**423,665,337**	**502,408,652**
Transferred from investment properties, net (note 9)	**72,879,080**	**3,046,229**	**75,925,309**
Cost of units / projects sold	**(7,072,753)**	**(465,672,534)**	**(472,745,287)**
At 30 September 2021 (Unaudited)	**186,880,837**	**58,195,587**	**245,076,424**

As of 30 September 2021 and 31 December 2020, projects represent mainly the cost of land and developments incurred by the Group toward the development of projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months except one project which will take more than one year.

*Includes lands amounting SR 93.2 million for sale within a year from the date of the condensed interim consolidated financial statements, in accordance with the management plan.

*Part of the lands in the cost of SR 54 million are mortgaged against loans (note 14).

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8 DEVELOPMENT PROPERTIES (Continued)

Development properties are classified into current and non-current portion as follows:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Current	**226,780,024**	139,487,750
Non-current	**18,296,400**	-
	245,076,424	139,487,750

9 INVESTMENT PROPERTIES

	Land	***Building***	***Capital Work in progress ("CWIP")***	***Total***
	SR	***SR***	***SR***	***SR***
Cost:				
At 1 January 2020 (audited)	167,355,829	36,404,934	7,593,282	211,354,045
Additions	159,862,630	3,653,033	19,886,302	183,401,965
Transferred to development properties (note 8)	(1,443,893)	(1,973,421)	(195,860)	(3,613,174)
Transferred to property and equipment	(32,565,500)	-	(27,283,724)	(59,849,224)
At 31 December 2020 (Audited)	293,209,066	38,084,546	-	331,293,612
Additions	**114,224,555**	**294,699**	**-**	**114,519,254**
Disposal of a subsidiary (note 1)	**(135,581,004)**	**-**	**-**	**(135,581,004)**
Transferred to development properties (note 8)	**(72,879,080)**	**(3,450,706)**	**-**	**(76,329,786)**
Transferred to property and equipment	**-**	**(277,403)**	**-**	**(277,403)**
At 30 September 2021 (Unaudited)	**198,973,537**	**34,651,136**	**-**	**233,624,673**
Accumulated depreciation:				
At 1 January 2020 (audited)	-	916,226	-	916,226
Charge for the year	-	1,755,001	-	1,755,001
Transferred to development properties (note 8)	-	(575,767)	-	(575,767)
At 31 December 2020 (Audited)	-	2,095,460	-	2,095,460
Charge for the period	**-**	**1,227,130**	**-**	**1,227,130**
Transferred to development properties (note 8)	**-**	**(404,477)**	**-**	**(404,477)**
At 30 September 2021 (Unaudited)	**-**	**2,918,113**	**-**	**2,918,113**
Net book value:				
At 30 September 2021 (Unaudited)	**198,973,537**	**31,733,023**	**-**	**230,706,560**
At 31 December 2020 (Audited)	293,209,066	35,989,086	-	329,198,152

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001"). As at 31 December 2020, the valuation of the above investment properties amounted to SR 377.67 million having book value of SR 329.2 million.

Part of the lands in the amount of SR 84.4 million (31 December 2020: SR 22.5 million) are mortgaged against loans (note 14).

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10 INVESTMENT IN ASSOCIATES

The Group's investment in associates comprise the following:

	Effective ownership		Amount	
	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*	***30 September 2021 (Unaudited)***	*31 December 2020 (Audited)*
	%	*%*	***SR***	*SR*
Saudi Tharwa Company	**39.50**	39.50	**123,484,627**	121,249,913
Al-Ahsa Real Estate Fund ("Al-Ahsa")	**22.50**	-	**100,000,000**	-
Alpha Real Estate Development Fund 1 ("Alpha")	**30.00**	-	**48,985,135**	-
Total investment in associates			**272,469,762**	121,249,913

The movement of investment in associates during the period ended is as follows:

	For the period ended 30 September 2021				
	Saudi Tharwa Company	***Al-Ahsa***	***Alpha***	***Total (Unaudited)***	*Total 31 December 2020 (Audited)*
	SR	***SR***	***SR***	***SR***	*SR*
Beginning balance	**121,249,913**	**-**	**-**	**121,249,913**	112,820,279
Addition	**-**	**100,000,000**	**54,000,000**	**154,000,000**	-
Unrealised gain*	**-**	**-**	**(5,014,865)**	**(5,014,865)**	-
Transfer from a shareholder	**-**	**-**	**-**	**-**	107,440,000
Disposals	**-**	**-**	**-**	**-**	(37,919,790)
Transfer to a shareholder	**-**	**-**	**-**	**-**	(72,357,490)
Dividend	**(1,580,000)**	**-**	**-**	**(1,580,000)**	(1,580,000)
Share of results, net	**3,814,714**	**-**	**-**	**3,814,714**	12,827,021
Share of OCI	**-**	**-**	**-**	**-**	19,893
Ending balance	**123,484,627**	**100,000,000**	**48,985,135**	**272,469,762**	121,249,913

*Unrealised gain represents 30% share of Parent Company's share of profit from transaction between the Parent Company and an associate (disposal of land to Alpha amounted to SR 156 million having book value of SR 135.6 million) note 1.

11 ACCOUNTS PAYABLE AND RETENTION

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Accounts payable - third parties	**284,394,057**	121,752,375
Retention payable - third parties	**3,080,171**	13,748,228
Accounts payable - related parties (note 19)	**158,649,782**	123,959,734
	446,124,010	259,460,337

12 ACCRUED EXPENSES AND OTHER PAYABLES

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Employees' accruals	**10,149,340**	6,644,671
Project accrual	**8,416,158**	-
Advances from customers	**403,039**	13,478,166
Unearned revenue	**-**	2,608,047
Others	**4,460,017**	3,289,883
	23,428,554	26,020,767

13 REFUNDABLE INCENTIVES

During 2020, Nesaj Town Project (the "Project") has been totally sold, and the incentives has been paid to the Ministry of Housing ("MOH") in total during the period ended 30 September 2021.

During the year 2018, the Group signed an agreement for the development, marketing and construction of the Project with MOH to build 674 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH's homeownership program. Refundable MOH Incentive represents funds received from MOH to support the Group in financing the Project. The incentive amount was deposited in an escrow bank account where withdrawals were restricted to project related expenditure. However, last year the Group has utilized all the balance in escrow account for project related expenses. Upon completing the construction work in the year 2020, MOH started the withdrawal of the incentive balance from the sale proceeds deposited in the escrow bank account which is amounted to SR 115.02 million (31 December 2020: SR 35 million) during the period.

14 LOANS

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Short-term loan (A)	**50,000,000**	50,000,000
Term-loan (B)	**78,928,738**	97,000,000
Term-loan (C)	**101,972,420**	51,400,000
Term-loan (D)	**94,999,430**	-
Term-loan (E)	**108,577,923**	-
	434,478,511	198,400,000

14.1 Classification of loan:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Short-term loan (A)	**50,000,000**	50,000,000
Term-loan (B)	**78,928,738**	97,000,000
Term-loan (C)	**101,972,420**	51,400,000
Term-loan (D)	**94,999,430**	-
Term-loan (E)	**108,577,923**	-
	434,478,511	198,400,000
Less: short-term loan (A)	**(50,000,000)**	(50,000,000)
Less: term loans - current portion	**(281,548,283)**	(83,733,333)
Term loans - non-current portion	**102,930,228**	64,666,667

The repayment schedule for term loans is as follows:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Within one year	**331,548,283**	133,733,333
Later than one year but not later than two years	**102,930,228**	64,666,667
	434,478,511	198,400,000

The Group engaged into the following medium-term loan transactions:

A. During 2020, the Group obtained short-term loan facility from a local commercial bank of SR 50 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loans are repayable in one installment on 31 March 2022. The loan is guaranteed by one of the shareholders guarantee.

B. During 2020, the Group obtained term loan facility from a local commercial bank of SR 97 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loan is repayable in six equal quarterly installments commencing from 31 August 2021. The loan is guaranteed by pledge of lands deeds amounted to SR 35.7 million from properties for development and sale (note 8), pledge of land deeds amounted to SR 9.5 million from investment properties (note 9), and pledge of land deeds amounted to SR 21.6 million from property and equipment, and one of the shareholders guarantee.

14 LOANS (Continued)

C. During 2020, the Group obtained term loan facility from a local commercial bank of SR 141 million, of which SR 141 million has been utilized up to 30 September 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loan is to be paid out from Nesaj Town Riyadh South Marcia project collections over three years max. The loan is guaranteed by pledge of land deeds amounted to SR 51.8 million and SR 23.6 million against property and equipment and investment properties (note 10) respectively.

D. During 2021, the Group obtained term loan facility from a local commercial bank of SR 142 million, of which SR 95 million has been utilized up to 30 September 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loans are to be paid out from Al Nakheel and Retal Rise projects collections over three years max. The loan is guaranteed by one of the shareholders guarantee.

E. During 2021, the Group obtained term loan facility from a local commercial bank of SR 121.4 million, of which SR 111.24 million has been utilized up to 30 September 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loans are to be paid out from Nesaj Town II project collections over two years maximum. The loan is guaranteed by pledge of land deeds amounted to SR 18.3 million and SR 51.3 million against properties for development and sale and investment properties respectively (note 8 & 9).

During the period, the Group has capitalised interest cost under development projects amounted to SR 4,975,546.

15 SHARE CAPITAL

The shareholders of the Company and their respective shareholding as of 30 September 2021 and 31 December 2020 are as follows:

	Share Capital		**Ownership %**	
Name	***30 September 2021 (Unaudited)***	*31 December 2020 (Audited)*	***30 September 2021 (Unaudited)***	*31 December 2020 (Audited)*
	SR	SR		
Al Fozan Holding Company	**375,000,000**	356,250,000	**93.75%**	95.00%
Mr. Abdullah Faisal Abdul Aziz Al-Braikan	**20,000,000**	18,750,000	**5.00%**	5.00%
Al Saham Holding Company	**1,250,000**	-	**0.31%**	-
Athman Holding Company	**1,250,000**	-	**0.31%**	-
Geraas Holding Company	**1,250,000**	-	**0.31%**	-
Maali Al Khaleej Trading Company	**1,250,000**	-	**0.31%**	-
	400,000,000	375,000,000	**100%**	100%

During the period, the shareholders of the Company resolved to increase the share capital of the Company from SR 375,000,000 to SR 400,000,000 through transfer of SR 20,000,000 from retained earnings and cash contribution from new shareholders of SR 5,000,000. The legal formalities in this regard were completed during the period ended 30 September 2021.

During the nine-month period ended 30 September 2021 the shareholders declared and paid the dividend of SR 80 million (30 September 2020: SR 50 million).

16 CONTRIBUTION FROM SHAREHOLDERS

Contribution from shareholders represent cash contributed to the Group to increase its share capital. These contributions are not subject to interest, have no specific repayment schedule, and do not bear any financial interest, and there is no current financial obligation on the Group to pay this balance to the shareholders.

During the period, the Company used the contribution to increase the Company's share capital with the total contribution balance of SR 5 million through the issuance of new shares.

17 REVENUE FROM CONTRACTS WITH CUSTOMERS

17.1 DISAGGREGATED REVENUE INFORMATION

Segments	***30 September 2021 (Unaudited)***	*30 September 2020 (Unaudited)*
	SR	*SR*
Type of goods or service:		
Construction and development contracts revenue	**563,462,601**	214,710,342
Revenue from sale of real estate units / projects	**21,865,225**	81,698,155
Facility and property management revenue	**22,720,691**	20,686,914
Rent contracts revenue	**5,298,795**	4,154,460
Total revenue from contracts with customers	**613,347,312**	321,249,871
Type of customer:		
Individual customers	**579,796,334**	196,143,697
Corporate customers	**31,401,310**	47,913,841
Government and quasi-government customers	**2,149,668**	77,192,333
Total revenue from contracts with customers	**613,347,312**	321,249,871
Credit terms:		
Credit sales	**585,342,899**	235,397,255
Cash sales	**28,004,413**	85,852,616
Total revenue from contracts with customers	**613,347,312**	321,249,871

17.2 CONTRACT BALANCES

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Accounts receivable	**189,283,105**	84,087,239
Contract assets (see note (a) below)	**17,401,918**	203,751,210
Contract liabilities (see note (b) below)	**86,094,201**	24,690,054

a) Contract assets:
Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to accounts receivable.

b) Contract liabilities:
Contract liabilities include long-term advances against construction contracts and short-term advances received to provide services as well as transaction price allocated to unsatisfied performance obligations.

17.3 PERFORMANCE OBLIGATIONS

Revenue from sale of development properties is recognized when control over the properties has been transferred to the customer, in some circumstances this is over time, and in other circumstances revenue is recognized at a point in time, when the customer has control of the property and is able to direct the use of the property, this is typically when the customer has taken possession of the property.

17 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

17.3 PERFORMANCE OBLIGATIONS (Continued)

(a) Construction and development contracts:
Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Payments terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year, when the Group determines that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labor or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

(b) Revenue from sale of investment properties and real estate units:
Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received.

(c) Facility and property management revenue:
The Company provides facility management services. Revenue against such services is recorded over time, as the customer receives simultaneously and consumes the related benefit using the output method where the customer signs the timesheet for the month as acknowledgment of the receipt of services. The services are billed to the customer at the end of each month.

(d) Rent contracts revenue:
Rental income from investment properties is recognized in the condensed interim consolidated statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease. When the Group provides incentives to its customers in the form of rent-free period, the incentive is recognized as a reduction of the total rental income over the entire lease term, on a straight-line basis.

18 COST OF REVENUE

	30 September 2021 (Unaudited)	*30 September 2020 (Unaudited)*
	SR	*SR*
Cost of construction and development contracts	**427,981,483**	167,973,600
Cost of sale of real estate units / projects	**16,433,851**	73,433,982
Cost of facility and property management	**20,504,595**	19,121,670
Cost of rent contracts	**3,320,625**	3,304,045
	468,240,554	263,833,297

19 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bear interest at approved market rate.

The significant transactions and the related approximate amounts are as follows:

	Name of related parties	*Relationship*	*30 September 2021 (Unaudited)*	*30 September 2020 (Unaudited)*
			SR	*SR*
Disposal of subsidiary to a related party	Alpha Real Estate Development Fund 1	Associate	**156,056,250**	-
Purchase of investment properties from related parties	Al-Fozan Holding Company	Shareholder	**80,000,000**	-
	Maali Holding Company	Affiliate	**34,224,555**	-
Funds transferred (in)out	Al-Fozan Holding Company	Shareholder	**94,330,000**	(130,736,183)
	ARAC Office	Affiliate	**3,650,000**	2,015,746
	Nesaj Residential Compound Co.	Affiliate	**-**	(400,000)
Revenue	Ajwad Holding	Affiliate	**496,271**	268,817
	Al-Fozan Holding Company	Shareholder	**4,580,949**	465,164
	Alpha Real Estate Development Fund 1	Associate	**2,570,175**	-
	Bloom Investment	Associate	**805,495**	-
	Maali Holding Company	Affiliate	**2,213,904**	1,687,819
	United Homeware Company	Affiliate	**6,635,603**	5,647,116
Purchase of material from related parties	Bawan Metal Industries Company	Affiliate	**2,211,091**	3,687,027
	Binaa Readymix	Affiliate	**3,520,531**	1,433,401
	Madar Electrical Materials Company	Affiliate	**6,468,702**	37,297,228
	Madar Hardware Company	Affiliate	**1,324,662**	783,748
Expenses charged on the Group from related parties	Al-Fozan Holding Company	Shareholder	**1,817,576**	2,669,943
	Mimar & ARAC Company	Affiliate	**797,663**	-
	ARAC Office	Affiliate	**2,103,708**	1,408,216
	Nesaj Residential Compound Co.	Affiliate	**296,767**	1,799,876
Finance costs charged on the Group	Al-Fozan Holding Company	Shareholder	**135,099**	1,598,160
Transfer of investments in associate to a related party	Al-Fozan Holding Company	Shareholder	**-**	72,357,490
Expenses paid on behalf of the Group from related parties	Al-Fozan Holding Company	Shareholder	**(9,237,168)**	(7,917,365)
	ARAC Office	Affiliate	**(2,458,796)**	(882,218)
Advance payment received from a related party	Bloom Investment	Associate	**48,722,871**	-

19 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

As at 30 September 2021 and 31 December 2020 due from related parties includes the following:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Maali Holding Company	**2,913,868**	4,751,999
Alpha Real Estate Development Fund 1	**2,570,175**	-
Itlalah Al Sharq Company	**7,588**	-
United Homeware Company	**-**	589,809
Wassem United Company (Tadbeir AlSharq for Real Estate Company - previously)	**-**	668,909
Ajwad Holding Company	**-**	377,298
United Electronics Company (Extra)	**-**	215,310
Nesaj Residential Compound Real Estate Company	**-**	148,000
Al Fozan Autism Center	**-**	26,285
Others	**130,635**	1,368,630
	5,622,266	8,146,240

As of 30 September 2021 and 31 December 2020, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule. All related parties have strong financial position and sufficient funds to repay the balance upon request.

Management believe that there is no need to book any expected credit loss ("ECL") against these receivables.

As at 30 September 2021 and 31 December 2020 due to related parties includes the following:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Al Fozan Holding Company	**102,467,436**	111,915,754
Bloom Invest	**47,917,376**	-
Mimar & ARAC Company	**3,661,908**	3,992,345
Madar Building Materials Company	**1,781,359**	654,198
Bawan Metal Industries Company	**1,030,659**	1,615,751
Binaa for Ready-mix Products Company	**1,011,503**	2,415,149
Madar Electrical Materials Company	**352,522**	2,109,850
Madar Hardware Company	**289,352**	901,279
Arnon Plastic Company	**137,667**	137,667
Ajwad Holding Company	**-**	217,741
	158,649,782	123,959,734

As of 30 September 2021 and 31 December 2020, the Group believes that due to related parties' balances are repayable upon request. As a result, these balances are classified as current liabilities.

The balances of the related party other than Al Fozan Holding Company are free of interest.

Some of the Parent Company's operational activities are funded through the cash transferred from Al Fozan Holding Company, a shareholder. This account carries finance charges at commercial rates and the terms were approved by management.

Compensation of key management personnel of the Group is as follows:

	30 September 2021 (Unaudited)	*30 September 2020 (Unaudited)*
	SR	*SR*
Salaries and other employee costs	**6,990,693**	4,012,175
Employment benefits	**1,524,794**	4,465,457
	8,515,487	8,477,632

20 EARNINGS PER SHARE FOR THE PERIOD (BASIC AND DILUTED)

	For the three-month period		For the nine-month period ended	
	30 September 2021 (Unaudited)	*30 September 2020 (Unaudited)*	***30 September 2021 (Unaudited)***	*30 September 2020 (Unaudited)*
	SR	*SR*	***SR***	*SR*
Profit for the period	**35,123,974**	16,097,154	**119,812,611**	42,937,074
	Share	Share	**Share**	Share
Weighted average number of shares	**39,777,778**	25,000,000	**39,777,778**	25,000,000
Earnings per share for the period (basic and diluted) - SR / share	**0.88**	0.64	**3.01**	1.72

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.

21 COMMITMENTS AND CONTINGENCIES

Guarantees:
The Group is contingently liable for bank guarantees issued in the normal course of business amounting SR 52.6 million as at 30 September 2021 (31 December 2020: SR 110 million).

Capital Commitments
The Group had the following capital commitments:

	30 September 2021 (Unaudited)	*31 December 2020 (Audited)*
	SR	*SR*
Capital commitments for construction contracts	**644,709,645**	924,610,272

As of 30 September 2021, the Group has a contractual construction commitment of SR 644,709,645 (31 December 2020: SR 924,610,272) against housing projects for local customers. The collection from these housing projects (which have been financed through facilities agreement signed between the bank, the Group and local customers) will be used to finance these commitments payment of the housing projects.

22 SUBSEQUENT EVENTS

There are no subsequent events after the reporting period except below:

The shareholders in their General Assembly meeting dated 28 October 2021 declared a dividend amount of SR 67.75 million.

23 DATE OF AUTHORIZATION

These condensed interim consolidated financial statements were authorized for issue by the Group's Board of Directors on 2 Jumada II 1443H corresponding to 5 January 2022.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P.O.Box 300467, Riyadh 11372
Kingdom of Saudi Arabia
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
RETAL URBAN DEVELOPMENT COMPANY

Opinion

We have audited the consolidated financial statements of Retal Urban Development Company (the "Company"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's byelaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF
RETAL URBAN DEVELOPMENT COMPANY

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
License No. 405
Al-Khobar, 25 Sha'ban 1443H
28 March 2022

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محاسبون قانونيون
CPA
BAKER TILLY
MKM & CO.

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RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 SR	2020 SR
ASSETS			
Current assets			
Cash and cash equivalents	7	**407,977,218**	64,980,903
Accounts receivable	8	**269,446,079**	82,736,616
Contract assets	24	**69,843,779**	203,751,210
Prepayments and other receivables	9	**162,926,648**	95,265,312
Inventories		**12,509,301**	22,253,953
Development properties, current	10	**245,367,910**	139,487,750
Investments at fair value through profit or loss		**655,842**	-
		1,168,726,777	608,475,744
Non-current assets			
Development properties, non-current	10	**63,438,078**	-
Prepayments and other receivables, non-current	9	**2,201,521**	1,067,489
Investment in associates and joint ventures	15	**301,382,824**	121,249,913
Investment properties	14	**195,935,517**	329,198,152
Right-of-use assets	12	**6,659,330**	14,915,574
Intangible assets	13	**4,165,681**	3,499,266
Property and equipment	11	**96,440,112**	90,211,857
		670,223,063	560,142,251
TOTAL ASSETS		**1,838,949,840**	1,168,617,995
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	16	**65,309,892**	224,110,289
Payable to Ministry of Housing	24	**272,520,618**	35,132,307
Accrued expenses and other payables	17	**85,766,425**	13,009,538
Contract liabilities	24	**109,674,870**	36,937,786
Lease liabilities	12	**2,994,801**	8,693,371
Refundable incentives	18	**-**	115,018,686
Short term loan	19	**100,000,000**	50,000,000
Term loans	19	**387,270,997**	83,733,333
Zakat payable	20	**10,447,484**	5,975,018
		1,033,985,087	572,610,328
Non-current liabilities			
Non-current portion of accounts payable	16,31	**13,658,005**	-
Non-current portion of lease liabilities	12	**-**	3,073,311
Non-current portion of term loans	19	**211,458,597**	64,666,667
Employee termination benefits	21	**11,077,716**	9,481,493
		236,194,318	77,221,471
Total liabilities		**1,270,179,405**	649,831,799
Equity			
Share capital	22	**400,000,000**	375,000,000
Statutory reserve	23	**38,204,514**	18,832,565
Actuarial reserve	15,21	**(3,358,414)**	(2,508,550)
Retained earnings		**134,059,718**	127,462,181
Equity attributable to the shareholders of the Company		**568,905,818**	518,786,196
Non-controlling interests		**(135,383)**	-
Total equity		**568,770,435**	518,786,196
TOTAL LIABILITIES AND EQUITY		**1,838,949,840**	1,168,617,995

Yasser Ismail Chief Financial Officer	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan Chief Executive Officer	Abdullah bin Abdul Latif Bin Ahmed Al-Fozan Chairman of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	*2021*	*2020*
		SR	*SR*
Continuing operations:			
Revenue	24	**1,085,321,002**	587,450,646
Cost of revenue	25	**(839,859,824)**	(463,142,384)
Gross profit		**245,461,178**	124,308,262
General and administrative expenses	26	**(42,698,612)**	(26,184,368)
Selling and marketing expenses	27	**(16,423,696)**	(7,701,933)
Allowance for expected credit losses	8,9	**(4,806,077)**	-
Operating profit		**181,532,793**	90,421,961
Finance costs	28	**(3,172,878)**	(2,171,392)
Share of results of investments is associates and joint ventures	15	**1,819,913**	12,827,021
Gain on sale of investments at FVTPL	29	**3,687,541**	374,422
Other income, net		**3,994,542**	1,891,994
Profit before zakat		**187,861,911**	103,344,006
Zakat	20	**(8,463,312)**	(4,710,501)
Profit for the year from continuing operations		**179,398,599**	98,633,505
Discontinued operations:			
Gain on disposal of a subsidiary, net of zakat	1	**13,935,504**	-
PROFIT FOR THE YEAR		**193,334,103**	98,633,505
Attributable to:			
Shareholders of the Company		**193,719,486**	98,633,505
Non-controlling interests		**(385,383)**	-
		193,334,103	98,633,505
Other Comprehensive Income (OCI)			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Share of other comprehensive income of equity accounted investments	15	**1,862**	19,893
Remeasurement loss on defined benefit plans	21	**(851,726)**	(1,034,280)
Other comprehensive loss for the year		**(849,864)**	(1,014,387)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**192,484,239**	97,619,118
Attributable to:			
Shareholders of the Company		**192,869,622**	97,619,118
Non-controlling interests		**(385,383)**	-
		192,484,239	97,619,118
Earnings per share for the year (basic and diluted):			
From continuing operations	36	**4.52**	3.62
From profit for the year	36	**4.87**	3.62

Yasser Ismail Chief Financial Officer	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan Chief Executive Officer	Abdullah bin Abdul Latif Bin Ahmed Al-Fozan Chairman of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to the shareholders of the Company						
	Share capital	*Statutory reserve*	*Actuarial reserve*	*Retained earnings*	*Total*	*Non-controlling interests (NCI)*	*Total equity*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
For the year ended 31 December 2021:							
As at 1 January 2021	**375,000,000**	**18,832,565**	**(2,508,550)**	**127,462,181**	**518,786,196**	**-**	**518,786,196**
Profit for the year	**-**	**-**	**-**	**193,719,486**	**193,719,486**	**(385,383)**	**193,334,103**
Other comprehensive loss	**-**	**-**	**(849,864)**	**-**	**(849,864)**	**-**	**(849,864)**
Total comprehensive income	**-**	**-**	**(849,864)**	**193,719,486**	**192,869,622**	**(385,383)**	**192,484,239**
Transfer to statutory reserve (note 23)	**-**	**19,371,949**	**-**	**(19,371,949)**	**-**	**-**	**-**
Contribution from NCI (note 1,3)	**-**	**-**	**-**	**-**	**-**	**250,000**	**250,000**
Increase in share capital (note 22)	**25,000,000**	**-**	**-**	**(20,000,000)**	**5,000,000**	**-**	**5,000,000**
Dividends (note 35)	**-**	**-**	**-**	**(147,750,000)**	**(147,750,000)**	**-**	**(147,750,000)**
Balance as at 31 December 2021	**400,000,000**	**38,204,514**	**(3,358,414)**	**134,059,718**	**568,905,818**	**(135,383)**	**568,770,435**
For the year ended 31 December 2020:							
As at 1 January 2020	250,000,000	8,969,214	(1,494,163)	88,692,027	346,167,078	-	346,167,078
Profit for the year	-	-	-	98,633,505	98,633,505	-	98,633,505
Other comprehensive loss	-	-	(1,014,387)	-	(1,014,387)	-	(1,014,387)
Total comprehensive income	-	-	(1,014,387)	98,633,505	97,619,118	-	97,619,118
Transfer to statutory reserve (note 23)	-	9,863,351	-	(9,863,351)	-	-	-
Increase in share capital (note 22)	125,000,000	-	-	-	125,000,000	-	125,000,000
Dividends (note 35)	-	-	-	(50,000,000)	(50,000,000)	-	(50,000,000)
Balance as at 31 December 2020	375,000,000	18,832,565	(2,508,550)	127,462,181	518,786,196	-	518,786,196

Yasser Ismail Chief Financial Officer	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan Chief Executive Officer	Abdullah bin Abdul Latif Bin Ahmed Al-Fozan Chairman of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	*2020*
	SR	*SR*
OPERATING ACTIVITIES		
Profit before zakat and after discontinued operations	**201,797,415**	103,344,006
Adjustments for non-cash items:		
Depreciation and amortization	**14,314,518**	12,431,525
Allowance for expected credit losses	**4,806,077**	-
Finance costs	**3,172,878**	2,171,392
Employee termination benefits	**2,415,087**	1,670,968
Share of results of investments is associates and joint ventures	**(1,819,913)**	(12,827,021)
Gain from sale of property and equipment	**(4,650)**	(172,321)
Gain on sale of investments at fair value through profit or loss ("FVTPL")	**(3,687,541)**	(374,422)
Gain on sale of disposal of a subsidiary, net of zakat	**(13,935,504)**	-
Loss (gain) on disposal of right-of-use asset	**46,766**	(98,012)
	207,105,133	106,146,115
Changes in working capital:		
Accounts payable and payable to Ministry of Housing	**204,903,263**	97,300,791
Contract assets	**133,907,431**	(53,291,862)
Accrued expenses and other payables	**72,756,887**	17,748,411
Contract liabilities	**72,737,084**	23,083,871
Inventories	**9,744,652**	(17,887,255)
Accounts receivable	**(193,619,470)**	10,590,736
Prepayments and other receivables	**(67,635,076)**	(64,805,636)
Development properties	**(199,436,738)**	(103,578,702)
Cash from operations	**240,463,166**	15,306,469
Zakat paid	**(3,990,846)**	-
Employee termination benefits paid	**(1,838,263)**	(1,304,336)
Net cash from operating activities	**234,634,057**	14,002,133
INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale (note 1)	**152,250,000**	-
Proceeds from sale of investments at FVTPL, net	**3,031,699**	374,422
Dividends received from equity accounted investments	**1,580,000**	1,580,000
Proceeds from sale of property and equipment	**14,895**	359,603
Disposal / redemption of investment in an associate	**-**	37,919,790
Additions to intangible assets	**(963,638)**	-
Purchase of property and equipment	**(10,570,082)**	(27,977,927)
Addition to investment properties, net	**(3,934,604)**	(165,841,965)
Addition to investment in associates	**(154,000,000)**	-
Net cash used in investing activities	**(12,591,730)**	(153,586,077)
FINANCING ACTIVITIES		
Repayment of refundable incentives	**(115,018,686)**	(35,000,000)
Proceeds from short and long-term loans	**500,329,594**	198,400,000
Lease liabilities paid	**(9,042,435)**	(8,924,565)
Contribution from NCI	**250,000**	-
Change in due to related parties	**(110,589,458)**	90,690,650
Capital increase	**5,000,000**	-
Finance costs paid	**(2,225,027)**	(238,632)
Dividends paid	**(147,750,000)**	(50,000,000)
Net cash from financing activities	**120,953,988**	194,927,453
Net change in cash and cash equivalents	**342,996,315**	55,343,509
Cash and cash equivalents at the beginning of the year	**64,980,903**	9,637,394
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 7)	**407,977,218**	64,980,903

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	SR	*SR*
NON-CASH TRANSACTIONS:		
Development properties transferred to equity accounted investments (note 10,15)	**30,118,500**	-
Increase in share capital through retained earnings (note 22)	**20,000,000**	-
Addition to equity accounted investments against related parties' balance (note 15,31)	**787,500**	-
Finance cost charged by a related party (note 28,31)	**369,624**	954,269
Deconsolidation of net assets of Wejha (note 1)	**50,000**	-
Increase of capital through contribution of equity accounted investments (note 15,22,31)	**-**	107,440,000
Increase of capital through contribution of investment properties (note 14,22,31)	**-**	17,560,000
Equity accounted investments transferred to related parties (note 15,31)	**-**	(72,357,490)
Employee termination benefits transferred from related parties (note 21,31)	**-**	52,353
Recognition of right -of- use assets (note 12)	**-**	2,615,222
Recognition of lease liabilities (note 12)	**-**	2,545,224
Development proprties transferred to property and equipment (note 10,11)	**-**	225,128
Property and equipment transfered from investment properties (note 11,14)	**-**	59,849,224
Zakat provision transferred to a related party (note 20,31)	**-**	4,630,458
Unrealised gain from the Group's share in profit of associate (note 15)	**(5,014,864)**	-
Development proprties transferred from investment properties (note 10,14)	**(75,925,309)**	(3,037,407)

Yasser Ismail
Chief Financial Officer

Abdullah Bin Faisal Bin
Abdul Aziz Al Braikan
Chief Executive Officer

Abdullah bin Abdul Latif
Bin Ahmed Al-Fozan
Chairman of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements

1 COMPANY INFORMATION

Retal Urban Development Company ("the Company") or ("the Parent Company") is a Closed Joint Stock Company (previously a Limited Liability Company) registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (corresponding to 4 February 2012). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

During 2020, the shareholders decided to convert the Company from a Limited Liability Company to a Closed Joint Stock Company. The Company obtained ministerial approval for the official announcement of the conversion on 9 Muharram 1442 H (corresponding to 28 August 2020).

The Company is principally engaged in:
- Purchase, selling and subdivision of land and investment properties and off-plan sales activities;
- General construction of residential buildings;
- General construction of non-residential buildings, including (schools, hospitals, hotels...etc.).

On 2 February 2021 the General Assembly approved in its meeting to start the process for listing the Group in the Stock Market ("Tadawul") and has appointed a financial consultant for that purpose.

The Parent Company has the following branches:

Branch	Date	Location	CR No.
Retal Urban Development Company branch	21 Dhu al-Qi'dah 1441	Riyadh	1010642508
Retal Urban Development Company branch	18 Dhu'l Hijjah 1442	Khobar	2051236513

The assets, liabilities, and the results of the branches are included in the consolidated financial statements.

The Ultimate Parent Company is Abdullatif and Mohammed Al Fozan Company.

These consolidated financial statements include the financial information of the Company and the following subsidiaries (collectively referred to as "the Group") that are directly and indirectly owned by the Group.

	Effective ownership as of 31 December	
	2021	*2020*
	%	%
Nesaj Urban Development Company ("Nesaj")	**100**	100
Building and Construction Company ("BCC")	**100**	100
Tadbeir Real Estate Company ("TRS")	**100**	-
Tadbeir Company Limited ("Tadbeir")	**95**	100
Wejha United Real Estate Company ("Wejha")	**-**	100

Nesaj:

Nesaj is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (corresponding to 5 August 2012). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of Nesaj include buying lands and constructing buildings on them for sale or rental to third parties, management, maintenance and development of real estate, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes, and general contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC:

BCC is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (corresponding to 25 September 1999). The registered address of BCC is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building, repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

Other shareholder in BCC has waived off their right in favor of Retal Urban Development Company and the Company has obtained the approval and waiver letter.

1 COMPANY INFORMATION (Continued)

TRS:

TRS is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051063497 issued in Khobar dated 10 Shawwal 1442H (corresponding to 22 May 2021). The registered address of TRS is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.

TRS is principally engaged as a broker in sale of fixed and movable assets, purchase and sale of land and real estate and its division and off-plan sales activities, management and rental of owned or leased (residential) real estate, management and rental of owned or leased (non-residential), activities of brokers' agents (brokers' offices), real estate management activities for a commission, money management and preservation of the property.

Tadbeir:

Tadbeir is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (corresponding to 4 November 2014). The registered address of Tadbeir is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdul Aziz Street, Al Khobar, 31952, Kingdom of Saudi Arabia.
Tadbier is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

During the year, the shareholders of Tadbeir resolved to increase Tadbeir's share capital from SR 0.5 million to SR 5 million through cash contribution, the legal formalities associated with the increase were completed during the year. As a result of this increase, a new shareholder was introduced and he contributed SR 250 thousand out of SR 5 million which has given him 5% ownership in Tadbeir.

Wejha:

Wejha is a Single Person Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051232830 issued in Khobar dated 1 Rabi` Al-Thani 1442H (corresponding to 16 November 2020). The registered address of Wejha is P.O. Box 34421, Rawabi, Khobar, Kingdom of Saudi Arabia.

The principle activities of Wejha company was general contracting of residential buildings.

In April 2021, the shareholders of the Company resolved to dispose 100% shareholding in Wejha United Real Estate. During the second quarter of 2021, the investment in Wejha has been transferred to Alpha Real Estate Development Fund 1, (Associate Company), which the Parent Company own 30% of it for the consideration of SR 156 million against gross assets amounting to SR 135.6 million.

As a result of the above mentioned changes in shareholding, the following net assets of Wejha have been deconsolidated from 1 April 2021.

	As at 1 April 2021
	SR
ASSETS	
Investment properties	135,581,004
LIABILITIES AND EQUITY	
Liabilities	
Due to a related party	135,531,004
EQUITY	
Share capital	50,000

There is no operations occurred in Wejha during 2021 and 2020.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants. Details of the Group's significant accounting policies are disclosed in note 5.

The consolidated financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss which is measured at fair value. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Saudi Riyal (SR).

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021 as defined in note 1.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has, directly or indirectly, power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the group's consolidated financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period.

Judgments, estimates and assumptions are continually evaluated and are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management — Note 33
- Sensitivity analysis disclosures — Note 4,21,33
- Capital management — Note 34

4.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the timing of revenue recognition on the sale of property

The Group has evaluated the timing of revenue recognition on the sale of property based on analyzing of the rights and obligations under the terms of each contract and legal advice from the Group's external counsel.

The Group has generally concluded that contracts relating to the sale of completed property are recognized at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

The Group assesses its contracts with customers for the sale of development properties to determine whether performance obligations are satisfied over time or at a point in time. The Group has assessed that the Group's performance does not create an asset with an alternative use and it is restricted contractually from redirecting the property under development to another use during its development based on the sale agreements entered with customers.

Also, the Group has an enforceable right to payment for performance completed to date, and entitled to an amount that at least compensates it for performance completed to date (usually costs incurred to date plus a reasonable profit margin) by having enforceable rights of being compensated for work completed to date in the event of any dispute and contract

Based on this, the Group recognises revenue from sale of development properties overtime.

Significant influence over an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts:

Determination of the lease term:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

4.1 Judgements (continued)

Determination of the lease term (continued):
As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group (supported by the advice of the independent valuation expert) determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Group has a lease contract for the use of office space that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Property lease classification – the Group as lessor:
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Going concern
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Company's financial statements continue to be prepared on the going concern basis.

4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Lease Payments Discount
Rental payments are discounted using the Group's incremental borrowing rate (IBR). The Group's management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

Options for extending and terminating lease contracts
Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Group and the Lessor.

When determining the tenancy contract duration, the Group's management takes into account all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee.

Uncertain zakat position
The Group's current zakat payable of SR 10,447,484 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the ZATCA. Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 20 describes the status of zakat assessments.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

4.2 Estimates and assumptions (Continued)

Impairment of investment properties and development properties

An assessment of fair value of investment properties and development properties is carried out at each reporting date by an external valuation firm who hold recognized and relevant professional qualifications and has recent experience in the location and category of the asset being valued. In determining the valuation, the valuer used the market valuation methodology and discounted cashflow methodology that are based on significant assumptions and estimates.

Provisions

Provision are recognized when the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Estimated cost to complete

The Group uses the percentage-of-completion method (“POC”) in accounting for its long-term construction contracts. Use of POC requires the Group to estimate the total cost to complete a contract. If the total estimated costs were 10% higher than management’s estimates, the amount of revenue recognised during the year ended 31 December 2021 would have decreased by SR 149.4 million. If the total estimated costs were 10% lower than management’s estimates, the amount of revenue recognised during the year ended 31 December 2021 would have increased by SR 149.4 million as well.

Warranties

Contracts for the sale of development properties contain certain warranties after completion of the development properties, such as the development properties meeting specific operational performance requirements. These conditions represent ‘assurance-type’ warranties that are legally required to be provided as quality guarantees. Minor repairs are expensed immediately and included in other operating expenses.

A provision is recognized for expected warranty claims on development properties sold during the year, based on past experience of the level of major repairs. Assurance-type warranty provisions for the year are charged to cost of sales. The estimate of such provision is revised annually.

Assumptions used to calculate the provision for warranties are based on development properties sales levels and current and historical information available about major repairs based on the warranty period for all development properties sold.

The Group has not recognised warranty provision because the Group has very insignificant exposure to that warranty.

Allowance for expected credit losses of accounts receivable

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for accounts receivables. The provision rates are based on days past due for Groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.The information about the ECLs on the accounts receivable is disclosed in note 8 and 33.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

4.2 Estimates and assumptions (Continued)

Impairment of inventories

Inventories are stated at cost or net realizable value, which is lower. Once the inventories become old or obsolete, an estimate is made for their net realizable value. For each significant amount, an estimate is made individually for each amount. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance is provided based on the type, age or degree of obsolescence, based on expected selling prices.

Long-term assumptions for employee defined benefit obligations

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Impairment of goodwill

The Group assesses whether there are any indicators of impairment for goodwill at each reporting date. The goodwill is tested for impairment annually and assess that if there are any indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

Backdrop of the Covid-19 pandemic

The Group has reviewed the key sources of estimation uncertainties disclosed in the consolidated financial statements against the backdrop of the Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the consolidated financial statements as of 31 December 2020. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

5 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a bargain purchase gain.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currencies

The Group’s consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Furniture, fixtures and office equipment	4 to 10 years
Machinery and equipment	5 years
Vehicles	5 years
Leasehold improvements	Lower of 4 years or lease period
Building	25 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") under property and equipment. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item of CWIP intended by management.

Development properties

All development properties are initially measured at acquisition cost and subsequently measured and accounted for lower of cost and net realizable value. This principally consists of projects under progress and land parcels for development in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost comprises all directly attributable cost including land cost, direct material cost, direct labor costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Impairment is tested comparing with net realizable value, which represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that majority of development properties are held for longer period and will not be realized within 12 months. If there is a change in management intention and identify any development property for immediate sale, then the same is split between long-term and short-term development properties representing non-current and current portion of development properties respectively.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss and other comprehensive income in the period of derecognition.

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the consolidated statement of profit or loss and other comprehensive income when incurred.

Transfers are made from investment properties to development properties only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognized in the prior years is recorded when there is an indication that the impairment losses recognized for the investment property no longer exist or have reduced.

Investment properties are accounted for using the cost model consistent with the way property and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 25 years.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss when it is incurred.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

A- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

B- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and low-value leases

Short-term leases are leases with a lease term of 12 months or less. Low value leases are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in profit or loss.

Group as a lessor

Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue once they are earned.

Borrowing costs

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss as other income or finance costs.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset, other than development properties, are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition or construction of an asset, other than development properties, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Investment In Associates And Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as ‘Share of profit of an associate and a joint venture’ in the statement of profit or loss.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

Distributions received from an associate or joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture’s other comprehensive income.

Inventories

The cost of raw materials and spare parts are those expenditure incurred in bringing each item to its present location and condition. Inventories are priced by applying the weighted average method.

Inventories are valued at the lower of cost and net realisable value.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and the estimated costs to sell.

Inventories include materials used for development.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.
The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised costfair value through profit or loss. The Group has no financial assets at fair value through other comprehensive income (OCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Group's rent and other trade receivables do not contain a significant financing component or for which the Group has applied the practical expedient, they are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenues from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes contract assets, account and other receivables.

Equity instruments designated at fair value through profit or loss

Gains and losses on these financial assets are recognised in profit or loss directly. Dividends are recognised as income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in profit or loss. Equity investments designated at fair value through profit or loss are not subject to impairment assessment.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instrument except those held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For the impairment of accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss and other comprehensive income.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are reviewed subsequently at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Onerous contracts

Onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it.

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

Employee benefit obligations

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and tickets, bonuses, and non-monetary benefits such as medical care), are recognised in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Defined benefit plans

The Group maintains an unfunded defined benefit plan for employees' termination / end of service benefits in accordance with the Saudi Arabian Labor Law.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

For the liability relating to employees' terminal benefits, the actuarial valuation process takes into account the provisions of the Saudi Arabian Labor Law as well as the Group's policy.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, accrued expenses and other payables, borrowings, lease liabilities and refundable incentives.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss
The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings
Subsequent to initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Contract balances
Contract assets
Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to accounts receivable. Contract assets are subject to impairment assessment on the same basis as financial assets that are within the scope of IFRS 9.

Contract liabilities
Contract liabilities include long-term advances against construction contracts and short-term advances received to deliver the milestones. Contract liabilities are recognized as revenue when the Group performs the performance obligation within the contract (i.e. transfers control to the customer).

Unlike the method used to recognize contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognized as revenue for a given period do not necessarily coincide with the amounts billed to and certified by the customer. In the case of contracts in which the completed milestones transferred to the customer exceed the related amount billed to and certified by the customer, the difference is recognized (as a contract asset) and presented in the statement of financial position under “Contract assets”, whereas in contracts in which the completed milestones transferred are lower than the amount billed to and certified by the customer (i.e., when a payment is due or a payment is received before the Group transfers the remaining completed milestones), the difference is recognized (as a contract liability) and presented in the statement of financial position under “Contract liabilities”.

Accounts receivable
A accounts receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Revenue earned from property development activities, but yet to be billed to customers, is initially recognized as contract assets and reclassified to accounts receivable when the right to consideration becomes unconditional.

Revenue from contracts with customers
Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (continued)

Step 1: Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(i) Revenue from contracts with customers for sale of properties
In respect of contracts with customers for sale of property, the Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where none of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

The Group enters into contracts with customers to sell property that are either completed or under development.

Sale of completed property
The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Sale of property under development
The sale of property under development are recognized over time. In order to determine the appropriate method of recognizing revenue, the Group assesses its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time. The Group has assessed that the Group's performance does not create an asset with alternative use because it is restricted contractually from redirecting the property under development to another use during its development based on the sale agreements entered with customers.

Also, the Group has an enforceable right to payment for performance completed to date, and is entitled to an amount that at least compensates it for performance completed to date (usually costs incurred to date plus a reasonable profit margin) by having enforceable rights of being compensated for work completed to date in the event of any dispute and contract termination.

(ii) Rental income
The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (continued)

(ii) Rental income (continued)

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of profit or loss when the right to receive them arises.

(iii) Service revenue

Revenue from rendering of services is recognized over a period of time when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Cost of revenue

Cost of revenue includes the cost of land, development and other service related costs. The cost of revenue is proportionate to sold units and is based on the cost incurred to-date to the estimated total costs for each project. The costs of revenues in respect of services, facilities management and rental income is based on the cost of providing the services.

Expenses

Selling and marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Selling and marketing expenses are those arising from the Group's efforts underlying the sales and marketing functions. All other expenses, except for financial charges, depreciation, amortization and impairment loss are classified as general and administrative expenses. Allocations of common expenses between cost of revenue, selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

Finance income, dividend income and finance cost

Finance income comprises interest income on funds invested, dividend income that are recognized in consolidated statement of profit and loss and other comprehensive income. Interest income is recognized as it accrues in consolidated statement of profit and loss and other comprehensive income, using the effective interest method.

Dividend income is recognized in profit and loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit and loss and other comprehensive income using the effective interest method.

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the kingdom of Saudi Arabia and the Provision is charged to the consolidated statement of profit or loss.

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

During the year 2020, the General Authority for Zakat and Tax announced that pursuant to the Royal Decree No. (A/84) dated 1 October 2020, the disposal of real estate in the Kingdom of Saudi Arabia by way of certain transactions resulting in a transfer of legal ownership or possession will be VAT exempt and subject to a 5% real estate transaction tax (RETT). RETT is applicable on the transaction that took place on or after 4 October 2020. However, as per the RETT law, the licensed real estate developer can recover input VAT on the property sold after 4 October 2020.

Real Estate Tax ("RET")

The RET incurred on a purchase of real estate assets and it is irrecoverable from the ZATCA. The RET is recognized as part of the cost of acquisition of the real estate asset, as applicable.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the consolidated statement of financial position.

Withholding taxes

The Group companies withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Dividend

Dividend is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

Earning per share

The Group shows basic and diluted earnings per share information for its common stock. Basic earnings per share is calculated by dividing the Group's net profit or loss by the weighted average number of ordinary shares outstanding during the period, and the special shares held. Diluted earnings per share are determined by adjusting the Group's net profit or loss and the weighted average number of ordinary shares outstanding, and special shares held, for the effects of all diluted potential ordinary shares.

Share Capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares and treasury shares are classified as equity instruments.

Assets classified as held for sale

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- Is a subsidiary acquired exclusively with a view to resale

In the consolidated profit or loss of the reporting period, and of the comparable period of the previous year income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of profit or loss.

6 CHANGES TO THE GROUP ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended 31 December 2021 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standard effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective (note 37). The adoption of new standards effective as of 1 January 2021 did not have any impact on the consolidated financial statements.

7 CASH AND CASH EQUIVALENTS

7.1 Cash and cash equivalents, non-restricted

	2021	*2020*
	SR	*SR*
Cash on hand	**35,000**	127,217
Cash at banks, non-restricted	**32,379,227**	9,848,190
	32,414,227	9,975,407

7 CASH AND CASH EQUIVALENTS (Continued)

7.2 Cash and cash equivalents, restricted

	2021	*2020*
	SR	*SR*
Restricted bank balances	**375,562,991**	55,005,496
Total cash and cash equivalents, restricted and non-restricted	**407,977,218**	64,980,903

As at 31 December 2021, cash at banks include bank balances of SR 375.6 million (2020: SR 55.0 million) in local banks in restricted escrow accounts. Drawings from these escrow accounts is restricted for developing certain projects which are sold off-plan.

Cash at banks represent balances with local banks with a sound credit rating. Furthermore, these balances bear no interest. The carrying amount of these assets is approximately equal to their fair value.

8 ACCOUNTS RECEIVABLE

	2021	*2020*
	SR	*SR*
Accounts receivable - third parties	**268,427,587**	74,808,117
Accounts receivable - related parties (note 31)	**3,677,860**	7,928,499
	272,105,447	82,736,616
Less: allowance for expected credit losses	**(2,659,368)**	-
	269,446,079	82,736,616

Accounts receivable are non-interest bearing. Accounts receivable are generally on terms of 30 to 90 days.

The movement in the allowance for expected credit losses is as follows:

	2021	*2020*
	SR	*SR*
1 January	**-**	-
Addition	**2,659,368**	-
31 December	**2,659,368**	-

An aged analysis of accounts receivable from third parties as at 31 December is as follows:

	Neither past due nor impaired	**Past due but not impaired**				
		< 180 days	**181-365 days**	**366-730 days**	**> 730 days**	**Total**
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
2021	**5,182,491**	**257,033,040**	**425,146**	**468,174**	**-**	**263,108,851**
2020	63,865,831	6,129,387	2,043,808	2,769,091	-	74,808,117

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good.

9 PREPAYMENTS AND OTHER RECEIVABLES

	2021	*2020*
	SR	*SR*
Value added tax*	**102,683,449**	35,965,141
Advances to suppliers	**43,890,644**	39,956,523
Prepaid expenses	**6,115,298**	7,026,194
Employee receivables	**3,500,252**	9,530,564
Others	**11,085,235**	3,854,379
	167,274,878	96,332,801
Less: provision against other receivables	**(2,146,709)**	-
	165,128,169	96,332,801

9 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Prepayments and other receivables are classified into current and non-current as follows:

	2021	*2020*
	SR	*SR*
Current	**162,926,648**	95,265,312
Non-current	**2,201,521**	1,067,489
	165,128,169	96,332,801

*As of 31 December 2021, value added tax ("VAT") includes an amount of SR 102.7 million, represents VAT to be recovered from eligible Real Estate Developers Portal (31 December 2020: SR 23.3 million).

10 DEVELOPMENT PROPERTIES

	Land*	***Building and development cost***	***Advances made for the acquisition of properties****	***Total***
	SR	***SR***	***SR***	***SR***
At 1 January 2020	8,134,444	22,754,002	-	30,888,446
Additions	68,047,787	483,709,625	-	551,757,412
Transferred from investment properties, net (note 14)	1,443,893	1,593,514	-	3,037,407
Cost of units / projects sold	(35,294,929)	(410,675,458)	-	(445,970,387)
Transferred to property and equipment (note 11)	-	(225,128)	-	(225,128)
At 31 December 2020	42,331,195	97,156,555	-	139,487,750
Additions	**216,384,656**	**672,045,988**	**44,187,750**	**932,618,394**
Transferred to equity accounted investments (note 15)	**(30,118,500)**	**-**	**-**	**(30,118,500)**
Transferred from investment properties, net (note 14)	**72,921,080**	**3,004,229**	**-**	**75,925,309**
Cost of units / projects sold	**(63,876,713)**	**(745,230,252)**	**-**	**(809,106,965)**
At 31 December 2021	**237,641,718**	**26,976,520**	**44,187,750**	**308,805,988**

As of 31 December 2021 and 2020, projects represent mainly the cost of land and developments incurred by the Group toward the development of projects for the purpose of sale in future.

During the year, the Group has capitalised interest cost to development properties amounted to SR 6,955,685 (2020: SR 612,396).

*Includes lands amounting SR 53.1 million for sale within a year from the date of the consolidated financial statements, in accordance with the management plan.

*Part of the lands with a cost of SR 54.2 million are mortgaged against loans (note 19).

**During the year, the Group has entered into an agreement for the purchase of land for development for which the Group has paid SR 44.2 million in advance. Ownership of the land will be transferred on the final payment in 2023 (note 32).

Management believes that these projects will be sold within the next twelve months except for two projects; Coya and Roshn, which will take more than one year. Accordingly, development properties are classified into current and non-current as follows:

	2021	*2020*
	SR	*SR*
Current	**245,367,910**	139,487,750
Non-current	**63,438,078**	-
	308,805,988	139,487,750

11 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	*Machinery and equipment*	*Vehicles*	*Leasehold improvements*	*Building*	*Land*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost								
At 1 January 2020	7,281,402	16,265,446	3,085,392	2,391,903	-	-	-	29,024,143
Addition	1,602,795	2,166,598	722,624	1,145,287	-	21,621,863	718,760	27,977,927
Transferred from investment properties (note 14)	81,297	-	-	-	27,202,427	32,565,500	-	59,849,224
Transferred from development properties (note 10)	225,128	-	-	-	-	-	-	225,128
Disposal	(49,182)	(1,298,000)	(492,024)	(2,391,903)	-	-	-	(4,231,109)
At 31 December 2020	9,141,440	17,134,044	3,315,992	1,145,287	27,202,427	54,187,363	718,760	112,845,313
Addition	**2,723,737**	**2,022,046**	**1,517,980**	**78,501**	**1,684,208**	**-**	**2,543,610**	**10,570,082**
Disposal	**-**	**(89,030)**	**-**	**-**	**-**	**-**	**-**	**(89,030)**
Reclass	**5,127,579**	**-**	**-**	**(261,670)**	**(4,865,909)**	**-**	**-**	**-**
At 31 December 2021	**16,992,756**	**19,067,060**	**4,833,972**	**962,118**	**24,020,726**	**54,187,363**	**3,262,370**	**123,326,365**
Accumulated depreciation:								
At 1 January 2020	5,483,296	14,629,713	1,607,044	2,391,903	-	-	-	24,111,956
Charge for the year	632,256	506,027	348,179	304,364	774,501	-	-	2,565,327
Disposal	(45,198)	(1,254,000)	(352,726)	(2,391,903)	-	-	-	(4,043,827)
At 31 December 2020	6,070,354	13,881,740	1,602,497	304,364	774,501	-	-	22,633,456
Charge for the year	**1,143,679**	**595,845**	**531,535**	**358,473**	**1,702,050**	**-**	**-**	**4,331,582**
Disposal	**-**	**(78,785)**	**-**	**-**	**-**	**-**	**-**	**(78,785)**
Reclass	**1,120,435**	**-**	**-**	**(86,445)**	**(1,033,990)**	**-**	**-**	**-**
At 31 December 2021	**8,334,468**	**14,398,800**	**2,134,032**	**576,392**	**1,442,561**	**-**	**-**	**26,886,253**
Net book values								
At 31 December 2021	**8,658,288**	**4,668,260**	**2,699,940**	**385,726**	**22,578,165**	**54,187,363**	**3,262,370**	**96,440,112**
At 31 December 2020	3,071,086	3,252,304	1,713,495	840,923	26,427,926	54,187,363	718,760	90,211,857

As of 31 December 2021 capital work in progress represents additional construction on Retal Riyad Office expected to be completed during the year 2022 with a total estimated cost to complete of SR 4.9 million.

Land and building amounting to net book value of SR 74.2 million are mortgaged against a term loan from local commercial banks (note 19).

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12 RIGHT-OF-USE ASSETS & LEASE LIABILITIES

Right -of- use assets depreciation charge and balances, which represent lease of buildings are as follows:

Building	***2021***	*2020*
	SR	*SR*
Cost:		
1 January	**29,685,942**	27,840,873
Addition	**-**	2,615,222
Disposal	**(511,147)**	(770,153)
31 December	**29,174,795**	29,685,942
Accumulated depreciation:		
1 January	**14,770,368**	7,376,577
Charge for the year	**8,069,478**	7,883,676
Disposal	**(324,381)**	(489,885)
31 December	**22,515,465**	14,770,368
Net book value as at 31 December	**6,659,330**	14,915,574

Lease liabilities as at year end are as follows:

	2021	*2020*
	SR	*SR*
Lease liabilities		
1 January	**11,766,682**	17,779,987
Addition	**-**	2,545,224
Disposal	**(140,000)**	(378,280)
Interest charged	**410,554**	744,316
Payments during the year	**(9,042,435)**	(8,924,565)
31 December	**2,994,801**	11,766,682
Current portion of lease liabilities	**2,994,801**	8,693,371
Non-current portion of lease liabilities	**-**	3,073,311
Total lease liabilities	**2,994,801**	11,766,682

13 INTANGIBLE ASSETS

	Software and ERP systems	****CWIP***	*****Goodwill***	***Total***
	SR	***SR***	***SR***	***SR***
Cost:				
At 1 January 2020	1,352,105	-	3,088,189	4,440,294
Disposal	(327,245)	-	-	(327,245)
At 31 December 2020	1,024,860	-	3,088,189	4,113,049
Additions	**35,813**	**927,825**	**-**	**963,638**
At 31 December 2021	**1,060,673**	**927,825**	**3,088,189**	**5,076,687**
Accumulated amortization:				
At 1 January 2020	713,507	-	-	713,507
Charge for the year	227,521	-	-	227,521
Disposal	(327,245)	-	-	(327,245)
At 31 December 2020	613,783	-	-	613,783
Charge for the year	**297,223**	**-**	**-**	**297,223**
At 31 December 2021	**911,006**	**-**	**-**	**911,006**
Net book values:				
At 31 December 2021	**149,667**	**927,825**	**3,088,189**	**4,165,681**
At 31 December 2020	411,077	-	3,088,189	3,499,266
Useful life	**4 years**			

13 INTANGIBLE ASSETS (Continued)

*CWIP represents advances made to a software company for the facilitation of one of its subsidiaries's operations. The Group management is expecting this software to go-live during the first quarter of 2022.

**The Group performed its annual goodwill impairment test to one of its cash generating units at 31 December 2021 and 2020. As at 31 December 2021 and 2020, the recoverable amount of the cash generating unit was above its carrying amount, indicating no impairment of goodwill.

14 INVESTMENT PROPERTIES

	Land	*Building*	*Capital Work in progress ("CWIP")*	*Total*
	SR	*SR*	*SR*	*SR*
Cost:				
At 1 January 2020	167,355,829	36,404,934	7,593,282	211,354,045
Addition	142,302,630	3,653,033	19,886,302	165,841,965
Transferred from a related party (note 22,31)	17,560,000	-	-	17,560,000
Transferred to property and equipment (note 11)	(32,565,500)	-	(27,283,724)	(59,849,224)
Transferred to development properties (note 10)	(1,443,893)	(1,973,421)	(195,860)	(3,613,174)
At 31 December 2020	293,209,066	38,084,546	-	331,293,612
Addition	**114,224,555**	**17,291**	**-**	**114,241,846**
Deconsolidation (note 1)	**(135,581,004)**	**-**	**-**	**(135,581,004)**
Disposal	**(32,587,999)**	**(2,018,048)**	**-**	**(34,606,047)**
Transferred to development properties (note 10)	**(72,921,080)**	**(3,408,706)**	**-**	**(76,329,786)**
At 31 December 2021	**166,343,538**	**32,675,083**	**-**	**199,018,621**
Accumulated depreciation:				
At 1 January 2020	-	916,226	-	916,226
Charge for the year	-	1,755,001	-	1,755,001
Transferred to development properties (note 10)	-	(575,767)	-	(575,767)
At 31 December 2020	-	2,095,460	-	2,095,460
Charge for the year	**-**	**1,616,235**	**-**	**1,616,235**
Disposal	**-**	**(224,114)**	**-**	**(224,114)**
Transferred to development properties (note 10)	**-**	**(404,477)**	**-**	**(404,477)**
At 31 December 2021	**-**	**3,083,104**	**-**	**3,083,104**
Net book value:				
At 31 December 2021	**166,343,538**	**29,591,979**	**-**	**195,935,517**
At 31 December 2020	293,209,066	35,989,086	-	329,198,152

During the year 2021, the Parent Company purchased shares in land from a shareholder for future development, located in Al Khobar, Kingdom of Saudi Arabia amounting to SR 80,000,000 (note 31). A waiver letter was obtained from the shareholder for transferring the rights in these land shares to the Parent Company.

As at 31 December 2021, investment properties include show rooms, villas, office and buildings held for the purpose of generating rental income amounting to SR 35.8 million (2020: SR 44.8 million). Also, investment properties include investment in land held for future appreciation with value of SR 160.1 million (2020: SR 284.4 million).

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001"). As at 31 December 2021, the valuation of the above investment properties amounted to SR 210,397,707 (2020: SR 377,667,385).

Part of the land amounting to SR 81.4 million is mortgaged against a term loan from a local commercial bank (note 19).

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Note	2021 SR	2020 SR
Saudi Tharwa Company ("Tharwa")	A	**121,513,222**	121,249,913
Al-Ahsa Real Estate Fund ("Al-Ahsa Fund")	B	**99,379,286**	-
Alpha Capital Saudi Real Estate Development Fund ("Alpha Fund")	C	**48,985,136**	-
Business Park Fund	D	**30,118,500**	-
Mimar Emirate and ARAC Engineering Consultancy Company ("Mimar & Arac")	E	**645,474**	-
Itlalah Al Sharq Real Estate Company ("Itlalah")	F	**496,206**	-
Rimal Al Khobar Real Estate Company ("Rimal")	G	**245,000**	-
		301,382,824	**121,249,913**

The movement of investment in associates and joint ventures during the years ended 31 December is as follows:

	2021 *SR*	*2020* *SR*
1 January	**121,249,913**	112,820,279
Additions	**154,787,500**	-
Transferred from development properties (note 10)	**30,118,500**	-
Share of results, net	**1,819,913**	12,827,021
Transferred from related parties (note 22,31)	**-**	107,440,000
Transferred to related parties (note 31)	**-**	(72,357,490)
Units redemption	**-**	(37,919,790)
Share of OCI	**1,862**	19,893
Dividends	**(1,580,000)**	(1,580,000)
Elimination of unrealised gain*	**(5,014,864)**	-
31 December	**301,382,824**	121,249,913

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The movement of investment in associates and joint ventures for the year ended 31 December 2021 is as follows:

	As of 31 December Effective ownership	*1 January 2021*	*Addition*	*Elimination of unrealised gain**	*Transferred from development properties (note 10)*	*Share in results*	*Share of other comprehensive income or loss*	*Dividends*	*Transferred from a related party (note 31)*	*31 December 2021*
	%	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Tharwa	39.5%	121,249,913	**-**	**-**	**-**	**1,841,447**	**1,862**	**(1,580,000)**	**-**	**121,513,222**
Al-Ahsa Fund	22.5%	-	**100,000,000**	**-**	**-**	**(620,714)**	**-**	**-**	**-**	**99,379,286**
Alpha Fund	30.0%	-	**54,000,000**	**(5,014,864)**	**-**	**-**	**-**	**-**	**-**	**48,985,136**
Business Park Fund	18.82%	-	**-**	**-**	**30,118,500**	**-**	**-**	**-**	**-**	**30,118,500**
Mimar & Arac	25.0%	-	**37,500**	**-**	**-**	**607,974**	**-**	**-**	**-**	**645,474**
Itlalah	50.0%	-	**500,000**	**-**	**-**	**(3,794)**	**-**	**-**	**-**	**496,206**
Rimal	50.0%	-	**250,000**	**-**	**-**	**(5,000)**	**-**	**-**	**-**	**245,000**
		121,249,913	**154,787,500**	**(5,014,864)**	**30,118,500**	**1,819,913**	**1,862**	**(1,580,000)**	**-**	**301,382,824**

*Unrealised gain represents 30% share of Parent Company's share of profit from transaction between the Parent Company and an associate (disposal of land to Alpha amounted to SR 156 million having book value of SR 135.6 million).

The movement of investment in associates and joint ventures for the year ended 31 December 2020 is as follows:

	As of 31 December Effective ownership	*1 January 2020*	*Addition*	*Units redemption*	*Transferred from properties for develop-ment and sale (note 10)*	*Share in results*	*Share of other comprehensive income or loss*	*Dividends*	*Transferred from (to) related parties (note 31)*	*31 December 2020*
	%	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Tharwa	39.5%	-	-	-	-	15,370,020	19,893	(1,580,000)	107,440,000	121,249,913
Ewan Al Mali	0.0%	40,462,789	-	(37,919,790)	-	(2,542,999)	-	-	-	-
Nesaj Compound	0.0%	72,357,490	-	-	-	-	-	-	(72,357,490)	-
		112,820,279	-	(37,919,790)	-	12,827,021	19,893	(1,580,000)	35,082,510	121,249,913

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

A. Saudi Tharwa Company

Saudi Tharwa Company ("Tharwa") is a Limited Liability Company registered in Al Khobar city, Kingdom of Saudi Arabia under commercial registration number 2051057188 dated 21 Jumada' II 1435H (corresponding to 21 April 2014). Tharwa was previously registered in Dammam city under commercial registration number 2050057685 dated 22 Dhu Al-Hijjah 1428H (corresponding to 1 January 2008). During 2014, the partners of Tharwa resolved to change its head office location from Dammam to AL Khobar. Accordingly, the previous commercial registration was canceled on 20 Jumada' II 1435H (corresponding to 20 April 2014).

As at 31 December 2021 and 2020, the Group's investment in Saudi Tharwa Company represents 39.5%. The Group owns 15,800 shares out of 40,000 shares at par value of SR 1000 for each.

The following table summarizes the financial information of Tharwa as included in its financial statements, in addition to the Group's interest in this investment.

	2021	*2020*
	SR	*SR*
Total assets	**1,132,454,905**	566,076,814
Total liabilities	**(1,033,647,870)**	(467,936,384)
Equity	**98,807,035**	98,140,430
Group's 39.5% share in equity (2020: the same)	**39,028,779**	38,765,470
Goodwill	**82,421,107**	82,421,107
Total Group's share in equity	**121,513,222**	121,249,913

Summarized statement of profit or loss and other comprehensive income of Saudi Tharwa Company for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Revenue	**42,563,378**	39,723,563
Profit for the year	**4,661,889**	38,911,445
Total comprehensive profit	**4,666,605**	38,961,806
Group's 39.5% share of total comprehensive income (2020: the same)	**1,843,309**	15,389,913

B. Al-Ahsa Real Estate Fund

As at 31 December 2021, the Company's investment in Al-Ahsa Fund represents the Company's 22.5% investment share in Al-Ahsa Fund (2020: nil).

Al-Ahsa Real Estate Fund's principal activities include management and rental of owned or rented (residential) real estate, public construction of non-residential buildings such as schools, hospitals, hotels, etc., general construction of residential buildings, real estate registration services, purchase and sale of land and real estate, its division and off-plan sales activities, management and leasing of self-storage stores, construction of prefabricated buildings on sites, management and rental of owned or leased properties (non-residential).

The following table summarizes the financial information of Al-Ahsa Fund as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Al-Ahsa Fund.

	2021	*2020*
	SR	*SR*
Total assets	**754,033,914**	-
Total liabilities	**(312,563,427)**	-
Equity	**441,470,487**	-
Group's 22.5% share in equity (2020: nil)	**99,379,286**	-

Summarised statement of profit or loss of Al-Ahsa Fund for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Revenue	**-**	-
Loss for the year	**(2,757,383)**	-
Total comprehensive loss	**(2,757,383)**	-
Group's 22.5% share of total comprehensive loss (2020: nil)	**(620,714)**	-

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

C. Alpha Capital Saudi Real Estate Development Fund ("Alpha Fund")

As at 31 December 2021, the Company's investment in Alpha Fund represents the Company's 30% investment share in Alpha Fund (2020: nil).

Alpha Fund's principal activities include management and rental of owned or leased real estate (non-residential), management and rental of owned or leased real estate (residential), activities of investment companies, purchase and sale of land and real estate and its division and off-plan sales activities, real estate management activities for a commission.

The total assets of the Alpha Fund is SR 180 million as of 31 December 2021.

Alpha Fund has not yet started its operations until 31 December 2021.

D. Business Park Fund

As at 31 December 2021, the Group's investment in Business Park Fund represents the Group's 18.82% investment share in Business Park Fund (2020: nil). The Group is represented by the one member in the fund's Board of Directors.

Business Park Fund's principal activities include restorations of residential and non-residential buildings, purchase and sale of land and real estate, its division and off-plan sales activities, general construction of government buildings, real estate registration services, management and rental of owned or leased properties (non-residential), management and leasing of self-storage stores, management and leasing of owned or leased properties (Residential), general construction of non-residential buildings such as schools, hospitals, hotels, etc., general construction of residential buildings, real estate management activities for a commission, investment company activities, building construction.

The total assets of the Business Park Fund is SR 160 million as of 31 December 2021.

Business Park Fund has not yet started its operations until 31 December 2021.

E. Mimar Emirate and ARAC Engineering Consultancy Company ("Mimar & Arac")

Mimar & Arac is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051226091 issued in Khobar on 11 Ramadan 1440H corresponding to (16 May 2019). The registered address of the Company is P.O. Box 3200, King Faisal Road, Al Rawabi, Al Khobar 34421, Kingdom of Saudi Arabia.

The principal activities of Mimar & Arac are engineering and architectural consultancy.

As at 31 December 2021, the Group's investment in Mimar & Arac represents 25%. The Group owns 375 shares out of 1,500 shares at par value of SR 100 for each (2020: nil).

The following table summarizes the financial information of Mimar & Arac as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Mimar & Arac.

	2021	*2020*
	SR	*SR*
Total assets	**6,234,152**	-
Total liabilities	**(1,553,511)**	-
Equity	**4,680,641**	-
Company's 25% share in equity (2020: nil)	**645,474**	-

Summarised statement of profit or loss and other comprehensive income of Mimar & Arac for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Revenue	**6,378,368**	-
Profit for the year	**2,431,897**	-
Total comprehensive income	**2,431,897**	-
Group's 25% share of total comprehensive income (2020: nil)	**607,974**	-

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

F. Itlalah:

Itlalah is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051234026 issued in Khobar dated 18 Jumada Al Thani 1442H (corresponding to 31 January 2021). The registered address of Itlalah is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Itlalh is principally engaged in the activities of general construction of residential buildings, public construction of government buildings, real estate development of residential buildings with modern construction methods, management and rental of owned or leased (residential and non-residential) properties, management and leasing of self-storage stores, management and operation of hotel apartments and real estate management activities for a commission.

Itlalah has not yet started its operations until 31 December 2021.

The following table summarizes the financial information of Itlalah as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Itlalah.

	2021	*2020*
	SR	*SR*
Total assets	**1,000,000**	-
Total liabilities	**(7,588)**	-
Equity	**992,412**	-
Company's 50% share of total equity (2020: nil)	**496,206**	-

Summarised statement of profit or loss and other comprehensive income of Itlalah for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Expense	**(7,588)**	-
Loss for the year	**(7,588)**	-
Total comprehensive loss	**(7,588)**	-
Company's 50% share of total comprehensive loss (2020: nil)	**(3,794)**	-

G. Rimal:

Rimal is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051236572 issued in Khobar dated 23 Dhu'l Hijjah 1442H (corresponding to 2 August 2021). The registered address of Rimal is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Rimal is principally engaged in general construction of residential buildings and public construction of non-residential buildings such as schools, hospitals, hotels, etc.

Rimal has not yet started its operations until 31 December 2021. However, Rimal has undertaken new projects in 2022.

The following table summarizes the financial information of Rimal as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Rimal.

	2021	*2020*
	SR	*SR*
Total assets	**500,000**	-
Total liabilities	**(10,000)**	-
Equity	**490,000**	-
Company's 50% share of total equity (2020: nil)	**245,000**	-

Summarised statement of profit or loss and other comprehensive income of Rimal for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Expense	**(10,000)**	-
Loss for the year	**(10,000)**	-
Total comprehensive loss	**(10,000)**	-
Company's 50% share of total comprehensive loss (2020: nil)	**(5,000)**	-

16 ACCOUNTS PAYABLE

	2021	*2020*
	SR	*SR*
Accounts payable	**43,160,734**	86,620,068
Retentions payable	**24,722,514**	13,748,228
Accounts payable to related parties (note 31)	**11,084,649**	123,741,993
	78,967,897	224,110,289

Accounts payable are classified into current and non-current payable as follows:

	2021	*2020*
	SR	*SR*
Current payables	**65,309,892**	224,110,289
Non-current payables	**13,658,005**	-
	78,967,897	224,110,289

The non-current portion of retention payable represents long-term retention payable to third parties amounted to SR 13.7 million (2020: nil) that management estimates it will pay after twelve months from the date of the consolidated statement of financial position.

17 ACCRUED EXPENSES AND OTHER PAYABLES

	2021	*2020*
	SR	*SR*
Project related accruals	**61,131,924**	-
Employees' accruals	**16,856,999**	7,518,709
Accrued expenses	**3,462,074**	1,316,856
VAT payable	**2,163,886**	-
Unearned revenue	**857,087**	2,885,510
Advances from customers	**349,964**	1,230,434
Others	**944,491**	58,029
	85,766,425	13,009,538

18 REFUNDABLE INCENTIVES

During 2020, Nesaj Town Project (the "Project") has been totally sold, and the incentives has been paid back to the Ministry of Housing ("MOH") in total during the year ended 31 December 2021.

During the year 2018, the Group signed an agreement for the development, marketing and construction of the Project with MOH to build 674 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH's homeownership program. Refundable MOH Incentive represents funds received from MOH to support the Group in financing the Project. The incentive amount was deposited in an escrow bank account where withdrawals were restricted to project related expenditure. However, last year the Group has utilized all the balance in escrow account for project related expenses. Upon completing the construction work in the year 2020, MOH started the withdrawal of the incentive balance from the sale proceeds deposited in the escrow bank account. During the year, MOH has withdrawn SR 115.02 million (2020: SR 35 million).

19 LOANS

19.1 Classification of loans:

	2021	*2020*
	SR	*SR*
Short term loan (A)	**100,000,000**	50,000,000
Term-loan (B)	**62,762,072**	97,000,000
Term-loan (C)	**146,972,420**	51,400,000
Term-loan (D)	**90,434,457**	-
Term-loan (E)	**298,560,645**	-
	698,729,594	198,400,000
Less: short term loan	**(100,000,000)**	(50,000,000)
Less: term loans - current portion	**(387,270,997)**	(83,733,333)
Term loans - non-current portion	**211,458,597**	64,666,667

19 LOANS (Continued)

19.2 The maturity profile of term loans as of 31 December is as follows:

	2021	*2020*
	SR	*SR*
2021	**-**	83,733,333
2022	**387,270,997**	64,666,667
2023	**151,465,508**	-
2024	**59,993,089**	-
	598,729,594	148,400,000

19.3 The Group engaged into the following short and long term loan transactions as follows:

A. During 2020, the Group obtained short term loan facility from a local commercial bank of SR 50 million. In 2021, it has been restructured and the loan facility is extended to SR 100 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loan is repayable in one installment on a revolving basis. The loan is guaranteed by one of the shareholders personal guarantee.

B. During 2020, the Group obtained term loan facility from a local commercial bank of SR 97 million, of which SR 62.8 million has been outstanding up to 31 December 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loan is repayable in equal quarterly installments commencing from 31 August 2021. The loan is guaranteed by pledge of lands deeds amounted to SR 35.9 million from development properties (note 10), pledge of land deeds amounted to SR 9.5 million from investment properties (note 14), and pledge of land deeds amounted to SR 21.6 million from property and equipment (note 11), and one of the shareholders guarantee.

C. During 2020, the Group obtained term loan facility from a local commercial bank of SR 238.7 million, of which SR 147.0 million has been outstanding up to 31 December 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loan is to be paid out from Nesaj Town Riyadh South Marcia and Roshan projects collections over three years max. The loan is guaranteed by pledge of land deeds amounted to SR 52.6 million and SR 20.6 million against property and equipment (note 11) and investment properties (note 14) respectively.

D. During 2021, the Group has obtained term loan facility from a local commercial bank of SR 142 million, of which SR 90.4 million has been utilized up to 31 December 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loans are to be paid out from Tharwa Town and Ayala Al Nakheel projects collections over three years max. The loan is guaranteed by one of the shareholders guarantee.

E. During 2021, the Group has obtained term loan facility from a local commercial bank of SR 308.6 million, of which SR 298.6 million has been utilized up to 31 December 2021, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin. The loans are to be paid out from Nesaj Town II and Nesaj Town Al-Ahsa projects collections over two years maximum. The loan is guaranteed by pledge of land deeds amounted to SR 18.3 million and SR 51.3 million against properties for development and sale and investment properties respectively (note 10 & 14).

During the year, the Group has capitalised interest cost to development properties amounted to SR 6,955,685 (2020: SR 612,396).

20 ZAKAT PAYABLE

Basis for Zakat:
The Group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets. Starting from the year 2020, zakat is calculated at the consolidated Group's zakat base of the Company and its 100% owned subsidiaries. Noting that, for the years 2016 to 2019 zakat return of the Group is filed with ZATCA within the consolidated return of the Al Fozan Holding Company.

The movement in the zakat payable is as follows:

	2021	*2020*
	SR	*SR*
1 January	**5,975,018**	5,894,975
Charge for the year	**8,463,312**	4,710,501
Paid during the year	**(3,990,846)**	-
Transferred to a related party (note 31)	**-**	(4,630,458)
31 December	**10,447,484**	5,975,018

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20 ZAKAT PAYABLE (Continued)

Status of certificates and assessments:
The Parent Company has submitted its zakat returns up to the year ended 31 December 2020 and obtained the required certificates and official receipt. During the year, the final assessment for the year 2015 and 2018 was received. Zakat assessment for the years 2013, 2014, 2016, 2017, 2019 and 2020 are still under review by the ZATCA.

Tadbeir has submitted its zakat returns up to the year ended 31 December 2020 and obtained the required certificates and official receipt. Zakat assessment are still under review by the ZATCA since inception.

Nesaj received zakat certificate for the years up to 2020. The assessments from the year of inception to 2020 are still under review by ZATCA.

BCC has submitted its zakat returns up to the year ended 31 December 2020 and obtained the required certificates and official receipt. BCC has received final assessment from ZATCA for the years till 2010 and for the year 2018. Zakat assessment for the years from 2011 to 2017, and for the years 2019 and 2020 are still under review by the ZATCA.

Provision was made for zakat for TRS for the period ended 31 December 2021 on provisional basis.

21 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2021	*2020*
	SR	*SR*
1 January	**9,481,493**	7,794,053
Expense charged to profit or loss	**2,582,760**	1,905,143
Actuarial remeasurement charged to OCI	**851,726**	1,034,280
Payments	**(1,838,263)**	(1,304,336)
Net transferred from related parties (note 31)	**-**	52,353
31 December	**11,077,716**	9,481,493

The expense charged to profit or loss comprise of:

	2021	*2020*
	SR	*SR*
Current service cost	**2,415,087**	1,670,968
Interest cost	**167,673**	234,175
Cost recognized in profit or loss	**2,582,760**	1,905,143

Significant actuarial assumptions	***As at 31 December***	
	2021	*2020*
Discount factor used	**2.20%**	1.65%
Salary increase rate	**2.20%**	1.65%
Mortality rate	**SA 19 - 75%**	SA 16 - 75%
Rates of employee turnover	**Heavy**	Heavy

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2021		*31 December 2020*	
	%	***SR***	*%*	*SR*
Discount rate				
Increase	**+ 0.5%**	**10,660,959**	+ 0.5%	9,118,464
Decrease	**- 0.5%**	**11,524,589**	- 0.5%	9,871,295
Salary growth rate				
Increase	**+ 0.5%**	**11,540,415**	+ 0.5%	9,845,135
Decrease	**- 0.5%**	**10,642,212**	- 0.5%	9,139,236

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22 SHARE CAPITAL

The shareholders of the Company and their respective shareholding as of 31 December 2021 and 2020 are as follows:

	Share Capital		Ownership %	
Name	31 December 2021 SR	31 December 2020 SR	31 December 2021	31 December 2020
Al Fozan Holding Company	**375,000,000**	356,250,000	**93.75%**	95.00%
Mr. Abdullah Faisal Abdul Aziz Al-Braikan	**20,000,000**	18,750,000	**5.00%**	5.00%
Al Saham Holding Company	**1,250,000**	-	**0.31%**	-
Athman Holding Company	**1,250,000**	-	**0.31%**	-
Geraas Holding Company	**1,250,000**	-	**0.31%**	-
Maali Al Khaleej Holding Company	**1,250,000**	-	**0.31%**	-
	400,000,000	375,000,000	**100%**	100%

During the year, the shareholders of the Company resolved to increase the share capital of the Company from SR 375 million to SR 400 million through transfer of SR 20 million from retained earnings and cash contribution from new shareholders of SR 5 million, the legal formalities in this regard were completed during the year ended 31 December 2021 (2020: increase in share capital of the Company from SR 250 million to SR 375 million through contribution of investment properties valued at SR 17.6 million (note 14) and equity accounted investment valued at SR 107.4 million (note 15).

23 STATUTORY RESERVE

In accordance with Regulations for Companies and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

24 REVENUE FROM CONTRACTS WITH CUSTOMERS

24.1 DISAGGREGATED REVENUE INFORMATION

Segments	2021 SR	2020 SR
Type of goods or service:		
Development contracts revenue	**915,841,344**	404,982,820
Revenue from sale of real estate units / projects	**129,921,692**	146,270,379
Revenue from facility and property management	**32,187,382**	28,744,253
Rent contracts revenue	**7,370,584**	5,833,590
Other revenue	**-**	1,619,604
Total revenue from contracts with customers	**1,085,321,002**	587,450,646
Type of customer:		
Individual customers	**947,131,710**	460,898,282
Corporate customers	**135,706,117**	51,199,543
Government and quasi-government customers	**2,483,175**	75,352,821
Total revenue from contracts with customers	**1,085,321,002**	587,450,646
Credit terms:		
Credit sales	**947,462,011**	434,704,571
Cash sales	**137,858,991**	152,746,075
Total revenue from contracts with customers	**1,085,321,002**	587,450,646

24 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

24.2 CONTRACT BALANCES

	2021	*2020*
	SR	*SR*
Accounts receivable (note 8)	**269,446,079**	82,736,616
Contract assets (see note (a) below)	**69,843,779**	203,751,210
Contract liabilities (see note (b) below)	**109,674,870**	36,937,786

a) Contract assets:
Contract assets are initially recognised for revenue earned from construction and development contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of an specific milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

a) Contract liabilities:
Contract liabilities include long-term advances against construction and development contracts. A contract liability is the obligation to complete the project for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group completes a project, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

24.3 PERFORMANCE OBLIGATIONS

Revenue is recognized when or as the Group satisfies its performance obligations.

(a) Revenue from development contracts - recognised overtime
Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Payments terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year. The Group determine that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, the Group recognises revenue from development contracts overtime.

When the development is made on a land owned by other, Group's revenue does not include the part of the contract price attributable to the land owner. The proceeds related to the land owned by others are recorded as a liability when collected. As at 31 December 2021 and 2020, such payables were only attributable to the MOH for projects developed on Government lands.

(b) Revenue from sale of investment properties and completed development properties - recognised at point in-time
Revenue is recognized from sale of developed projects upon the completion of the related legal formalities of transferring ownership or unconditional exchange.

(c) Facility and property management contracts - recognised overtime
Revenue is recognised over time based on the straight line method. The related costs are recognised in profit or loss when they are incurred. The duration of each contract depends on the contract term with customer and normally span for more than one year.

(d) Revenue from rental contracts - recognised overtime
Rental income from investment properties is recognized on a straight line basis over the term of the lease. When the Group provides incentives to its customers in the form of rent-free period, the incentive is recognized as a reduction of the total rental income over the entire lease term, on a straight-line basis.

25 COST OF REVENUE

	2021	*2020*
	SR	*SR*
Cost of development contracts	**692,998,488**	316,041,605
Cost of sale of real estate units / projects	**108,374,786**	113,775,594
Cost of facility and property management	**32,936,614**	27,412,437
Cost of rent contracts	**5,549,936**	4,691,337
Others	-	1,221,411
	839,859,824	463,142,384

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26 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	*2020*
	SR	*SR*
Employee salaries and related benefits	**24,057,775**	12,285,108
Depreciation	**7,771,413**	6,448,275
Maintenance expenses	**2,305,929**	900,507
Professional fees	**2,619,873**	623,814
IT charges	**914,893**	564,501
Rent	**735,997**	984,222
Utilities	**888,693**	986,056
Board of Directors fees	**300,000**	300,000
Business trips	**422,039**	385,144
Hospitality	**274,352**	222,618
Corporate events	**237,568**	355,628
Office stationary	**216,953**	221,616
Fee and permits	**166,684**	114,612
Amortization	**234,033**	159,448
Others	**1,552,410**	1,632,819
	42,698,612	26,184,368

27 SELLING AND MARKETING EXPENSES

	2021	*2020*
	SR	*SR*
Employee salaries and related benefits	**5,470,442**	1,482,689
Maintenance and after sales expenses	**4,053,243**	3,966,911
Marketing and advertising	**3,626,992**	870,608
Community services	**1,837,313**	396,163
Corporate events	**898,992**	266,534
IT Charges	**238,434**	19,606
Depreciation	**87,754**	68,267
Utilities	**87,339**	57,957
Amortization	**63,188**	68,073
Office stationary	**26,295**	17,164
Others	**33,704**	487,961
	16,423,696	7,701,933

28 FINANCE COSTS

	2021	*2020*
	SR	*SR*
Interest on bank borrowings (note 19)	**2,163,524**	-
Interest charged by a related related party (note 31)	**369,624**	954,269
Interest on lease liabilities (note 12)	**410,554**	744,316
Interest on employee termination benefits (note 21)	**167,673**	234,175
Others	**61,503**	238,632
	3,172,878	2,171,392

During the year, the Group has capitalised interest cost to development properties amounted to SR 6,955,685 (2020: SR 612,396).

29 GAIN ON SALE OF INVESTMENTS AT FVTPL

During the year, the Group has earned a gain of SR 3.7 million (2020: SR 0.4 million) from purchase and sale of shares in a listed entities in KSA market.

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30 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION INCLUDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2021	*2020*
	SR	*SR*
Included in cost of sales:		
Employee benefits	**6,625,281**	4,547,882
Depreciation and amortization	**6,158,130**	5,687,462
Included in general and administrative expenses:		
Employee benefits	**24,057,775**	12,285,108
Depreciation and amortization	**8,005,446**	6,607,723
Included in selling and marketing expenses:		
Employee benefits	**5,470,442**	1,482,689
Depreciation and amortization	**150,942**	136,340

31 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-Group rates approved by Al Fozan Group management.

The Group transacted with the following related parties:

Name	**Relationship**
Al Fozan Holding Company	Shareholder
Mr. Abdullatif Ali Al Fozan	Close Family Member
Alpha Real Estate Development Fund 1	Associate
Bloom Investment	Associate
Saudi Tharwa Company	Associate
Rimal Al Khobar Real Estate Company	Joint venture
Itlalah Al Sharq Company	Joint venture
Mimar Emirate and ARAC Engineering Consultancy Company	Associate/ affiliate (previously)
ARAC Engineering Consultants	Affiliate
United Electronics Company (Extra)	Affiliate
United Homeware Company (Nice)	Affiliate
Maali Holding Company	Affiliate
Nesaj Residential Compound Company	Affiliate
United Wassem Company (Tadbeir AlSharq for Real Estate Company - previously)	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate
Ajwad Holding Company	Affiliate
United Hardware Company	Affiliate
Bawan Metal Industries Company	Affiliate
Binaa for Ready-mix Products Company	Affiliate
Madar Building Materials Company	Affiliate
Aseel Company Arabian for Real Estate	Affiliate
Thabat Al Omran for Real Estate Company	Affiliate
Midad Chemical Factory	Affiliate

31 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The significant transactions and the related approximate amounts are as follows:

	2021 SR	2020 SR
a) Revenue (note 24)		
AlOula Real Estate Development Company	**13,467,513**	-
Bloom Investment	**48,883,970**	-
United Homeware Company (Nice)	**6,484,692**	3,208,333
Ajwad Holding Company	**2,885,060**	2,064,717
Maali Holding Company	**1,873,000**	4,499,930
Others	**176,753**	4,552,764
b) Contract costs and services/expenses charged		
Binaa for Ready-mix Products Company	**7,844,019**	3,786,210
Bawan Metal Industries Company	**6,559,688**	5,310,740
Madar Building Materials Company	**6,545,469**	36,560,162
ARAC Engineering Consultants	**4,709,443**	3,992,345
Madar Electrical Materials Company	**4,136,537**	3,026,731
Saudi Tharwa Company	-	11,353,712
Others	**5,596,023**	1,688,849
c) Investment in equity accounted invesrments transferred from (to) related parties (note 15)		
Al Fozan Holding Company	**-**	107,440,000
Al Fozan Holding Company	**-**	(72,357,490)
d) Investment properties transferred through shareholding (note 14)		
Al Fozan Holding Company	**-**	17,560,000
e) Finance charges (note 28)		
Al Fozan Holding Company	**369,624**	954,269
f) Zakat provision transferred to related parties (note 20)		
Al Fozan Holding Company	**-**	(4,630,458)
g) End of service indemnity transferred from related parties, net (note 21)		
Al Fozan Holding Company	**-**	52,353
h) Other income		
Alpha Real Estate Development Fund 1	**2,570,175**	-
i) Purchase of land / land shares		
Maali Holding Company	**34,224,555**	-
Al Fozan Holding Company	**80,000,000**	-
j) Addition to equity accounted investments against related parties' balance (note 15)		
Mimar Emirate and ARAC Engineering Consultancy Company	**37,500**	-
Rimal Al Khobar Real Estate Company	**250,000**	-
Itlalah Al Sharq Company	**500,000**	-

As at 31 December due from related parties includes the following (note 8):

	2021 SR	2020 SR
Alpha Real Estate Development Fund 1	**1,656,675**	-
United Homeware Company (Nice)	**1,122,600**	589,809
Maali Holding Company	**-**	4,751,999
Others	**898,585**	2,586,691
	3,677,860	7,928,499

As of 31 December 2021 and 2020, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule. All related parties have strong financial position and sufficient funds to repay the balance upon request.

31 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

As at 31 December, accounts payable and retentions to related parties are as follows (note 16):

	2021	*2020*
	SR	*SR*
Mimar Emirate and ARAC Engineering Consultancy Company	**3,781,590**	3,992,345
Madar Building Materials Company	**3,029,228**	654,198
Bawan Metal Industries Company	**1,939,061**	1,615,751
Binaa for Ready-mix Products Company	**1,238,104**	2,415,149
Al Fozan Holding Company	**-**	111,915,754
Others	**1,096,666**	3,148,796
	11,084,649	123,741,993

As of 31 December 2021 and 2020, the Group believes that due to related parties' balances are repayable upon request. As a result, these balances are classified as current liabilities.

In 2020, some of the Group's operational activities were funded through the cash transferred from Al Fozan Holding Group ("Shareholder"). This account carries finance charges at the terms were approved by management.

Letters of guarantee issued on behalf of the Group and were outstanding as of 31 December (note 32):

	2021	*2020*
	SR	*SR*
Abdullatif and Mohammed Al Fozan Company	**3,767,327**	3,767,327

Compensation of key management personnel of the Group

	2021	*2020*
	SR	*SR*
Salaries and other employee costs	**10,799,424**	5,639,754
Other employment benefits	**1,610,680**	4,650,902
	12,410,104	10,290,656

32 CONTINGENCIES AND COMMITMENTS

Guarantees:

The Group is contingently liable for bank guarantees issued in the normal course of business amounting SR 7.9 million as at 31 December 2021 (2020: SR 110 million).

The Group is contingently liable for bank guarantee as at 31 December 2021 amounting to SR 3.8 million (2020: SR 3.8 million) issued in the normal course of business. The letter of guarantee is issued under related parties bank facilites (note 31).

Capital Commitments

At 31 December, the Group had the following capital commitments:

	2021	*2020*
	SR	*SR*
Capital commitments for the purchase of software license (note 13)	**4,906,772**	-
Capital commitments for property and equipment (note 11)	**4,872,745**	-
Commitment for the purchase of Roshn land (note 10)	**44,187,750**	-
Capital commitments for construction contracts (note 10)	**448,888,195**	925,009,898

As of 31 December 2021, the Group has a contractual construction and development commitment of SR 448,888,195 (2020: SR 925,009,898) against housing projects for local customers. The collection from these housing projects (which have been financed by cash or through facilities agreement signed between the bank, Group and local customers) will be used to finance these commitments.

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33 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

33.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2021						
	Carrying amount			***Fair value***			
	Fair value	***Amortised cost***	***Total***	***Level 1***	***Level 2***	***Level 3***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
Financial assets							
Cash and cash equivalents	**-**	**407,977,218**	**407,977,218**	**-**	**-**	**-**	**-**
Accounts and other receivables	**-**	**384,568,306**	**384,568,306**	**-**	**-**	**-**	**-**
Investments at fair value through profit or loss	**655,842**	**-**	**655,842**	**655,842**	**-**	**-**	**655,842**
	655,842	**792,545,524**	**793,201,366**	**655,842**	**-**	**-**	**655,842**
Financial liabilities							
Accounts payable	**-**	**78,967,897**	**78,967,897**	**-**	**-**	**-**	**-**
Payable to Ministry of Housing	**-**	**272,520,618**	**272,520,618**	**-**	**-**	**-**	**-**
Accrued expenses and other payables	**-**	**84,559,374**	**84,559,374**	**-**	**-**	**-**	**-**
Borrowings	**-**	**698,729,594**	**698,729,594**	**-**	**-**	**-**	**-**
	-	**1,134,777,483**	**1,134,777,483**	**-**	**-**	**-**	**-**

	31 December 2020						
	Carrying amount			*Fair value*			
	Fair value	*Amortised cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Financial assets							
Cash and cash equivalents	-	64,980,903	64,980,903	-	-	-	-
Accounts and other receivables	-	132,086,700	132,086,700	-	-	-	-
	-	197,067,603	197,067,603	-	-	-	-
Financial liabilities							
Accounts payable	-	224,110,289	224,110,289	-	-	-	-
Payable to Ministry of Housing	-	35,132,307	35,132,307	-	-	-	-
Accrued expenses and other payables	-	8,893,594	8,893,594	-	-	-	-
Refundable incentives	-	115,018,686	115,018,686	-	-	-	-
Borrowings	-	198,400,000	198,400,000	-	-	-	-
	-	581,554,876	581,554,876	-	-	-	-

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

33 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued))

33.2 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk, currency risk, and interest rate risk.

Credit Risk:
Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its accounts receivables, and cash and cash equivalents as follows:

	2021	*2020*
	SR	*SR*
Cash and cash equivalents	**407,977,218**	64,980,903
Accounts receivable	**269,446,079**	82,736,616
Other receivables	**115,122,227**	49,350,084
	792,545,524	197,067,603

The carrying amount of financial assets represents the maximum credit exposure.

The Group seeks to limit its credit risk with respect to accounts receivable by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good.

Liquidity Risk:
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2021			
	Carrying amount	***Less than 1 year***	***1 year to 5 years***	***More than 5 years***
	SR	***SR***	***SR***	***SR***
Financial Liabilities				
Accounts payable	**78,967,897**	**65,309,892**	**13,658,005**	**-**
Payable to Ministry of Housing	**272,520,618**	**272,520,618**	**-**	**-**
Accrued expenses and other payables	**84,559,374**	**84,559,374**	**-**	**-**
Borrowings	**698,729,594**	**487,270,997**	**211,458,597**	**-**
Lease liabilities	**2,994,801**	**2,994,801**	**-**	**-**
	1,137,772,284	**912,655,682**	**225,116,602**	**-**

	31 December 2020			
	Carrying amount	*Less than 1 year*	*1 year to 5 years*	*More than 5 years*
	SR	*SR*	*SR*	*SR*
Financial liabilities				
Accounts payable	224,110,289	224,110,289	-	-
Payable to Ministry of Housing	35,132,307	35,132,307	-	-
Accrued expenses and other payables	8,893,594	8,893,594	-	-
Refundable incentives	115,018,686	115,018,686	-	-
Borrowings	198,400,000	133,733,333	64,666,667	-
Lease liabilities	11,766,682	8,693,371	3,073,311	-
	593,321,558	525,581,580	67,739,978	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

33 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued))

33.2 Risk Management of Financial Instruments (Continued)

The Group's liquidity position as of the date of the financial statements is as follows:

	2021	*2020*
	SR	*SR*
Current assets	**1,168,726,777**	608,475,744
Less: Current liabilities	**(1,033,985,087)**	(572,610,328)
Surplus working capital	**134,741,690**	35,865,416

Management believes that the risk associated with the liquidity risk is minimal since the Group is generating cash from operations and credit facilities are available to meet the Group's future commitments.

Market Risk:
Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Group's management believes that their exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk
Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's exposure to interest rate risk is mainly on short and medium term loans, and lease liabilities. The Group pays floating interest rates on its debts.

An increase of 50 basis points in the interest rate would have increased finance costs for the year ended 31 December 2021 by SR 3.5 million (31 December 2020: SR 1.0 million).

Management monitors the changes in interest rates and manages its impact on the consolidated financial statements accordingly.

34 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the shareholders of the Group. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, change their share capital or adjust the level of their borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

35 DIVIDENDS

During the year ended on 31 December 2021, shareholders declared and paid dividends amounted to SR 147.75 million (2020: SR 50 million).

36 EARNINGS PER SHARE FOR THE YEAR (BASIC AND DILUTED)

	2021	*2020*
	Share	*Share*
Weighted average number of shares outstanding	**39,793,151**	27,273,973

Basic and diluted earning per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

The number of shares outstanding during 2020 has been updated to take into account the increase of 2 million shares during 2021 through retained earnings.

37 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

37.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

37.2 New and revised IFRSs in issue but not yet effective and not early adopted

New and revised IFRSs	***Effective for annual periods beginning on or after***
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities.	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies.	1 January 2023
IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 *Business Combination* updating a reference to the Conceptual Framework.	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment prohibiting a Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use.	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous.	1 January 2022
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates.	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

38 SUBSEQUENT EVENTS

There are no subsequent events after the reporting year except below:

The Capital Market Authority Board has issued its resolution dated 13 Sha'ban 1443H (corresponding to 16 March 2022) approving the Company's application for offering of 12 million shares representing 30% of the Company's share capital.

39 COMPARATIVE FIGURES

Certain figures for the year 2021 have been reclassified to conform with the presentation of the current year.

40 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by Board of Directors on 17 Sha'ban 1443H corresponding to 20 March 2022.


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